

MBTA/MBB
MBTA ICC Filing Letter

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
Ten Park Plaza
Boston, MA 02116

8-004A052

JAN 4 1988

December 31, 1987

Ms. Noretta R. McGee, Secretary
Interstate Commerce Commission
Twelfth Street and Constitution Avenue, N.W.
Washington, D.C. 20423

Dear Secretary:

I have enclosed an original and one counterpart of the documents described below to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

The documents (the "Documents") are:

- (a) Lease Agreement, dated as of December 30, 1987, a Primary document; and
- (b) Lease Supplement No. 1, dated as of December 31, 1987, a Secondary document.

The Primary document to which this filing is related is the Lease Agreement referred to above, for which no recordation number has yet been issued.

The names and addresses of the parties to the Documents are as follows:

Lessee:

Massachusetts Bay Transportation Authority
Ten Park Plaza
Boston, MA 02116
Attention: Treasurer-Controller

Lessor:

Security Pacific Equipment Leasing, Inc.
Four Embarcadero Center
Suite 1200
San Francisco, CA 94111
Attention: Manager, Operations Department-LEV

Ms. Noreta R. McGee, Secretary
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A description of the equipment covered by the Documents follows:

34 commuter rail coaches manufactured by Messerschmitt-Bolkow-Blohm GmbH (the "Manufacturer") pursuant to the Purchase Agreement, dated August 7, 1985, as amended, between the Manufacturer and Massachusetts Bay Transportation Authority ("MBTA") and identified by MBTA vehicle identification numbers 500 through 516, inclusive, and 1500 through 1516, inclusive.

A fee of \$20.00 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to Goodwin, Procter & Hoar, Exchange Place, Boston, MA 02109, Attention: F. Beirne Lovely, Jr., Esq.

A short summary of the Documents to appear in the index follows:

- (a) Primary Document. Lease Agreement between Security Pacific Equipment Leasing, Inc., Four Embarcadero Center, Suite 1200, San Francisco, CA 94111, as lessor, and Massachusetts Bay Transportation Authority, Ten Park Plaza, Boston, MA 02216, as lessee, dated as of December 30, 1987, covering up to 34 commuter rail coaches manufactured by Messerschmitt-Bolkow-Blohm GmbH; and
- (b) Secondary Document. Lease Supplement No. 1, between Security Pacific Equipment Leasing, Inc., Four Embarcadero Center, Suite 1200, San Francisco, CA 94111, as lessor, and Massachusetts Bay Transportation Authority, Ten Park Plaza, Boston, MA 02116, as lessee, dated as of December 31, 1987, covering 34 such commuter rail coaches constituting the equipment covered by the Primary Document described above.

This filing is being made for precautionary purposes only and to make the transaction a matter of public record. This filing should not be construed as evidence of the intent of any of the parties to enter into any transaction other than that of a true lease.

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A short summary of the transaction of which the Documents are a part follows:

The Documents have been entered into in connection with the leveraged lease financing of certain commuter rail coaches as contemplated by the Participation Agreement, dated as of December 30, 1987, among Massachusetts Bay Transportation Authority (the "Lessee"), Security Pacific Equipment Leasing, Inc., as owner (the "Lessor"), New England Merchants Funding Corporation, as original noteholder (the "Original Noteholder") and Wilmington Trust Company, as Indenture Trustee (the "Indenture Trustee"). Under such transaction, the Lessor will lease up to 34 such commuter rail coaches to the Lessee pursuant to the Lease, and the Lessor will borrow certain moneys from the Original Noteholder. Such borrowings will be evidenced by Notes issued and secured pursuant to the Trust Indenture and Security Agreement, dated as of December 30, 1987, between the Lessor and the Indenture Trustee. The initial holders of the Notes is the Original Noteholder.

The names and addresses of the other parties to such transaction are:

Original Noteholder:

New England Merchants Funding Corporation
28 State Street
Boston, MA 02109
Atten: Halsey B. Collins, Esq.

Indenture Trustee:

Wilmington Trust Company
Rodney Square North
Wilmington, DE 19890
Attention: Corporate Trust Administration


Please acknowledge receipt of this letter of transmittal and its enclosures by appropriately stamping the enclosed copy

Ms. Noreta R. McGee, Secretary
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of this letter and by returning it to Mr. Lovely in the
addressed envelope enclosed for your convenience.

Very truly yours,

Massachusetts Bay
Transportation Authority

By 
Name: Gregory C. Flynn
Title: Deputy General
Counsel

Enclosures: Lease (with Exhibits and Schedule) - Original and
Notarized Copy
Lease Supplement (with Annex 1) - Original
and Notarized Copy
Transmittal Letter (Copy)
Check (\$20.00)
Return Envelope (Postage Prepaid)

VS-1202/d
12/30/87

All right, title and interest in and to this Lease Agreement and the Equipment covered hereby on the part of Security Pacific Equipment Leasing, Inc., as Lessor, have been assigned to and are subject to a security interest in favor of Wilmington Trust Company, as Indenture Trustee, under the Trust Indenture and Security Agreement, dated as of December 30, 1987 (as such Trust Indenture and Security Agreement may be amended or supplemented as permitted thereby), for the benefit of the Noteholders referred to in such Trust Indenture and Security Agreement. This Lease Agreement has been executed in several counterparts. Only the original counterpart contains the receipt therefor executed by Wilmington Trust Company, as Indenture Trustee, Mortgagee, on the signature page thereof.

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LEASE AGREEMENT

JUN 1 1988 10 41 PM
INTERSTATE COMMERCE COMMISSION

Dated as of December 30, 1987

Between

SECURITY PACIFIC EQUIPMENT LEASING, INC.,
Lessor,

and

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY,
Lessee.

Leveraged Lease Financing of

34 Messerschmitt-Bolkow-Blohm Commuter Rail Coaches

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LEASE AGREEMENT

This Lease Agreement is dated as of December 30, 1987, and is between Security Pacific Equipment Leasing, Inc., a Delaware corporation (the "Lessor"), and Massachusetts Bay Transportation Authority, a body politic and corporate and a political subdivision of The Commonwealth of Massachusetts (the "Lessee").

The Lessor and the Lessee agree as follows:

ARTICLE 1

DEFINITIONS

1.1. Certain Terms. The capitalized terms used herein which are defined in, or by reference in, Schedule X annexed hereto and by this reference incorporated herein, as such capitalized terms may be amended from time to time in accordance with Section 21.1, shall have the meanings specified therein whether or not such terms are defined herein.

1.2. Rules of Construction. Words of the masculine and feminine genders shall be deemed and construed to include the neuter gender. Unless the context otherwise indicates, the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons. Whenever reference is made in this Lease to any agreement, instrument or document, the same shall (unless the context otherwise requires) mean and refer to such agreement, instrument or document as amended and in effect at the relevant time of reference thereto.

ARTICLE 2

ACCEPTANCE UNDER PURCHASE AGREEMENT AND LEASE; PURCHASE OPTION; RENEWAL OPTION; APPRAISALS

2.1. Acceptance Under Purchase Agreement and Lease.

(a) The Lessor, subject to there having been made available to the Indenture Trustee funds sufficient for full payment of Lessor's Purchase Price for such items of Equipment in accordance with the terms of Section 2 of the Participation Agreement and satisfaction or waiver of the conditions set forth in Section 5 of the Participation Agreement, hereby agrees to accept delivery from the Lessee pursuant to the Warranty Bill of Sale and pay the Lessee for each item of

Equipment delivered by the Lessee to the Lessor on the Delivery Date pursuant to the Participation Agreement and simultaneously to lease the same to the Lessee hereunder. The Lessee, subject to the satisfaction or waiver of the conditions set forth in Section 6 of the Participation Agreement applicable to the Lessee, hereby agrees, expressly for the direct benefit of the Lessor and the Original Noteholder, simultaneously to lease on the Delivery Date from the Lessor hereunder, such items of Equipment, which shall have been accepted by the Lessee hereunder as evidenced by the execution by the Lessor and the Lessee of a Lease Supplement leasing such items of Equipment hereunder, provided that the Lessor and the Lessee shall have no further obligation hereunder with respect to any items of Equipment if the Delivery Date shall not have occurred on or before December 31, 1987.

(b) The Lessee hereby agrees (i) to accept and pay for the Equipment pursuant to the Purchase Agreement on or before the Delivery Date and (ii) to sell and transfer the Equipment to the Lessor on the Delivery Date. Such sale and transfer to the Lessor shall be made by the execution and delivery of a warranty bill of sale in the form of Exhibit L to the Participation Agreement.

2.2. Return.

(a) Unless the Lessee exercises its purchase and/or a renewal option pursuant to Sections 2.3 and 2.5, at the expiration of the Basic Term or, if applicable, a Renewal Term or upon the earlier termination of this Lease pursuant to Article 12 or 13 hereof, the Lessee shall, at its own risk and expense, return all but not less than all items of Equipment then subject to this Lease to the Lessor at storage facilities of the Lessee designated by the Lessee, but reasonably satisfactory to the Lessor.

(b) Upon any return of any item of Equipment to the Lessor, the Lessee shall deliver to the Lessor all logs, manuals, certificates, data and inspection, modification and overhaul records which have been maintained with respect to such item of Equipment.

(c) The Equipment at the time when it is returned to the Lessor at the end of the Basic Term or any Renewal Term, or pursuant to Section 13, shall be in good operating condition (commercially usable by other commuter rail operators) and appearance, ordinary wear and tear excepted, shall be in the configuration and condition required by Sections 5 and 6, shall meet the standards then in effect under the Interchange Rules of the Association of American Railroads (if applicable) and/or the applicable rules of any governmental agency or other

organization having jurisdiction, and shall be free and clear of all Liens and all rights, claims and interests of others, excepting Lessor Liens and the Lien of the Indenture.

(d) Upon the expiration or termination of the lease of any item of Equipment hereunder, the Lessee will provide storage of such Equipment beyond the term of the Lease, for a period not exceeding 90 days, at the Lessor's risk and (except with respect to storage charges) expense; provided, however, that upon an Event of Default hereunder the Lessee will provide storage of such Equipment solely at the Lessee's risk and expense but only for a period not exceeding ninety (90) days after receipt by the Lessor of a notice from the Lessee to remove the Equipment. Ninety (90) days following receipt by the Lessor of a notice to remove the Equipment all risk and expense associated with the storage of the Equipment shall be borne solely by the Lessor.

(e) Subject to and without diminution of the Lessee's obligations under Section 2.2(d) or any other provision of this Lease, upon the expiration or termination of the lease of any item of Equipment hereunder but prior to the later of the return of such item of Equipment or the expiration of any period during which such item of Equipment is stored pursuant to Section 2.2(d), the Lessee shall, upon the Lessor's written request, perform such work on such item of Equipment as the Lessor may reasonably request, to the extent reasonably possible without disruption to the Lessee's normal operations or its preexisting commitments (if any); provided, however, that the foregoing shall not be construed to extend the Lessee's storage obligation beyond the 90 days referred to in Section 2.2(d). The Lessor shall reimburse the Lessee for such work at reasonable rates.

2.3. Purchase Option. Not fewer than 270 days prior to the end of the Basic Term or of either Renewal Term, as the case may be, the Lessee may deliver to the Lessor a written notice of the Lessee's tentative interest to purchase all (but not less than all) items of Equipment then subject to this Lease at a price equal to, (A) in the case of a purchase at the end of the Basic Term, the lesser of (i) 60% of the Lessor's Purchase Price of such items of Equipment and (ii) the fair market sales value thereof determined as provided below or (B) in the case of a purchase at the end of either Renewal Term, the fair market sales value thereof determined as provided below. The fair market sales value of the Equipment shall be determined in accordance with the procedures set forth in Sections 2.4 and 2.6. On or prior to the earlier of the day which is (i) 180 days before the end of the Basic Term or of either Renewal Term, as the case may be, and whether or not the

fair market sales value of the Equipment has been determined as provided in Section 2.6, or (ii) 45 days after determination of the fair market sales value of the Equipment as provided in Section 2.6, the Lessee may deliver to the Lessor a further written notice finally electing to purchase the Equipment in accordance with its previous tentative election, and such election shall be irrevocable. At the end of the Basic Term or the applicable Renewal Term, as the case may be, if the Lessee has elected to purchase the Equipment as aforesaid and no Default or Event of Default hereunder has occurred and is continuing, the Lessor shall Transfer the Equipment to the Lessee against payment by the Lessee of the purchase price in same day funds and the Lessor shall execute and deliver such documents evidencing such sale and Transfer as the Lessee shall reasonably request, but, in any event, by Bill of Sale providing that the Equipment is transferred and conveyed 'AS IS, WHERE IS'. THE LESSOR HAS NOT MADE AND SHALL NOT MAKE ANY REPRESENTATION, WARRANTY OR COVENANT, EXPRESS OR IMPLIED, WITH RESPECT TO THE MERCHANTABILITY, CONDITION, QUALITY, DURABILITY, DESIGN, OPERATION, FITNESS FOR A PARTICULAR PURPOSE OR USE, OR SUITABILITY OF THE PURCHASE EQUIPMENT, AND SHALL TRANSFER ALL OF ITS RIGHT, TITLE AND INTEREST IN SUCH ITEMS OF EQUIPMENT TO THE LESSEE 'AS IS, WHERE IS', WITHOUT WARRANTY, EXPRESS OR IMPLIED, except that the Lessor will warrant to the Lessee that the Equipment is free and clear of Lessor Liens.

2.4. Fair Market Sales Value. For purposes of this Article 2 and Sections 10.1(b) and 13(d), the "fair market sales value" of the Equipment, or any item, as of any date shall be the cash price that would be obtained in an arm's-length transaction between an informed and willing buyer (including a lessee currently in possession but not including a used equipment dealer or buyer of scrap) under no compulsion to buy, and an informed and willing seller under no compulsion to sell. Fair market sales value shall not include the cost of removal or delivery of the Equipment. In determining fair market sales value, it shall be assumed that the Lessee has complied with all of the terms, provisions and conditions of this Lease and that the Equipment is in the condition and configuration required upon return to the Lessor.

2.5. Renewal Options; Fair Market Rental Value.

(a) At the end of the Basic Term the Lessee may renew the Lease of all (but not less than all) of the Equipment then subject to the Lease for a renewal term (the "first Renewal Term") of three years. At the end of the first Renewal Term the Lessee may renew the Lease of all (but not less than all) of the Equipment then subject to the Lease for a renewal term (the "second Renewal Term") of seven years. The rent for the first Renewal Term shall be equal to the lesser of (i) 50% of the

average Basic Rent over the Basic Term and (ii) the fair market rental value of the Equipment. The rent for the second Renewal Term shall be equal to the fair market rental value of the Equipment. The first Renewal Term shall commence upon the expiration of the Basic Term, and the second Renewal Term shall commence on the day after the expiration of the first Renewal Term. Not fewer than 270 days prior to the end of the Basic Term or the first Renewal Term, as the case may be, the Lessee may deliver to the Lessor a written notice of the Lessee's tentative interest to renew the Lease. The fair market rental value of the Renewal Equipment shall be determined in accordance with the procedures set forth in Section 2.6. On or prior to the earlier of the day which is (a) 180 days before the end of the Basic Term or the first Renewal Term, as the case may be, and whether or not the fair market rental value of the Renewal Equipment has been determined as provided in Section 2.6 or (b) 45 days after determination of the fair market rental value of the Equipment as provided in Section 2.6, the Lessee may deliver to the Lessor a further written notice finally electing to lease the Equipment in accordance with its previous tentative election, and such election shall be irrevocable. At the end of the Basic Term or the first Renewal Term, as the case may be, if (i) the Lessee has finally elected to lease the Equipment as aforesaid, (ii) no Default or Event of Default hereunder shall have occurred and be continuing (unless the Lessor, in its sole discretion, shall have waived this condition), (iii) a new contract for financial assistance with respect to Renewal Rent substantially in the form of the Contract for Financial Assistance shall, in the opinion of counsel for the Lessee, have been duly authorized, executed and delivered by the Commonwealth and the Lessee and shall be in full force and effect, and an executed counterpart thereof shall have been delivered to the Lessor, (iv) an assignment by the Lessee of such new contract for financial assistance and of the Lessee's rights to receive the payment of money under the Contract Assistance Provisions substantially in the form of the Lessee's Assignment shall have been duly authorized, executed and delivered by the Lessee and shall be in full force and effect, and an executed counterpart thereof shall have been delivered to the Lessor, and (v) counsel for the Lessee reasonably satisfactory to the Lessor shall have delivered to the Lessor an opinion to the effect that after giving effect to the renewal and after taking into account the effect of the protections afforded to the Participants by the Contract Clause of the United States Constitution, the credit support of the Commonwealth in respect of the Lessee as provided by the Contract for Financial Assistance and the Contract Assistance Provisions remains substantially in full force and effect, then the Lease shall be renewed for a Renewal Term with respect to the Equipment. The Lessee shall pay Renewal Rent with respect to the first Renewal Term in six consecutive

semiannual installments in arrears on each Rent Payment Date during the first Renewal Term, commencing July 30, 2013 in the case of the first Renewal Term, and shall pay Renewal Rent with respect to the second Renewal Term in fourteen consecutive semi-annual installments in arrears on each Rent Payment Date during the second Renewal Term, commencing July 30, 2016 in the case of the second Renewal Term.

(b) The appraiser(s) shall pursuant to Section 2.6 determine the fair market rental value of the Renewal Equipment on the basis of arm's-length negotiations between an informed and willing lessor and an informed and willing lessee under no compulsion to lease equipment comparable to that being appraised and not subject to the Lease and upon the assumption that such comparable equipment is in the condition and configuration in which the Renewal Equipment is required to be upon return to the Lessor under this Lease and is located at the then present location of the Renewal Equipment ready for delivery. In determining the fair market rental value of the Renewal Equipment, the appraiser(s) shall also take into account the fair market sales value of the Renewal Equipment, the number of years of its remaining useful life, the time value of money and such other factors (not including rental rates under this Lease) as the appraiser(s) may deem appropriate.

2.6. Appraisal Procedure. The fair market sales value of the items of Purchase Equipment in question or the fair market rental value of the Renewal Equipment in question, as the case may be, shall be mutually agreed upon by the parties to this Lease. Upon the determination by either party to this Lease that it and the other party to this Lease are unable to agree upon such fair market sales or rental value, such party (which party shall be the Lessee in the event the Lessor and the Lessee have been unable to agree on such fair market sales or rental value by the day which is 180 days before the end of the Basic Term or Renewal Term, as the case may be) shall deliver to the other party a written notice appointing a recognized independent appraiser to determine such fair market sales or rental value. Within 30 days after receipt of such written notice from one party to this Lease, the other party hereto shall deliver to such party a written notice appointing a recognized independent appraiser selected by such other party to determine such fair market sales or rental value. The two appraisers so appointed shall meet promptly to determine such fair market sales or rental value of the Equipment (or in the event a party fails to appoint an appraiser within 30 days, such determinations shall be made promptly, and in any case within the next 20 days, by the appraiser appointed by such other party). If two appraisers are selected by the Lessor and the Lessee, and, within 30 days after the appointment of the

second appraiser, the two appraisers shall be unable to agree upon such fair market sales or rental value, a third recognized independent appraiser shall be chosen within five days thereafter by the mutual consent of such first two appraisers or if such first two appraisers fail to agree upon the appointment of a third appraiser within such five-day period, such appointment shall be made by the American Arbitration Association. The decision of the third appraiser so appointed and chosen shall be given within a period of 30 days after the selection of such third appraiser. Any decision in which the first two appraisers so appointed and acting hereunder concur (or, in the event that a second appraiser is not appointed as provided in this Section 2.6, the decision of the first appraiser appointed pursuant to this Section 2.6) shall in all cases be binding and conclusive upon the Lessor and the Lessee and, in the event that a third appraiser is appointed as aforesaid, the appraisal of such third appraiser shall in all cases be binding and conclusive on the Lessor and the Lessee. In any appraisal pursuant to Sections 2.3, 2.5 and 10.1(b), the Lessor and the Lessee each shall pay the fees and expenses of the appraiser appointed by it and shall share equally the fees and expenses of the third appraiser, if any; provided, however, that if Lessee elects to purchase the Equipment or to renew the Lease for a Renewal Term and has sent written notice to that effect to the Lessor pursuant to Section 2.3 or Section 2.5, the fees and expenses of the appraiser appointed by the Lessor and the fees and expenses of a third appraiser, if any, shall be borne solely by the Lessee but only if the Lessee revokes its election to purchase the Equipment or renew the Lease. In any appraisal pursuant to Section 13(d), the fees and expenses of all appraisers appointed hereunder shall be paid solely by the Lessee.

ARTICLE 3

DISCLAIMER OF WARRANTIES

THE LESSOR LEASES THE EQUIPMENT HEREUNDER "AS IS" AND NEITHER THE LESSOR, THE INDENTURE TRUSTEE NOR ANY PARTICIPANT HAS MADE OR SHALL BE DEEMED TO HAVE MADE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE, VALUE, CONDITION, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE OR SUITABILITY OF ANY ITEM OF EQUIPMENT, AS TO THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, AS TO THE ABSENCE OF ANY INFRINGEMENT OF ANY PATENT, TRADEMARK OR COPYRIGHT, AS TO THE ABSENCE OF OBLIGATION BASED ON STRICT LIABILITY IN TORT, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP OF THE EQUIPMENT OR ITS COMPLIANCE WITH APPLICABLE GOVERNMENTAL REQUIREMENTS OR REGULATIONS OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER,

EXPRESS OR IMPLIED, WITH RESPECT TO ANY ITEM OF EQUIPMENT, except that the Lessor warrants and represents that on the Delivery Date each item of Equipment shall be free of Lessor Liens.

THE LESSEE HEREBY WAIVES TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW AS AGAINST ANY PARTICIPANT AND THE LESSOR ALL RIGHTS IN RESPECT OF WARRANTIES, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE WITH RESPECT TO ANY ITEM OF EQUIPMENT LEASED UNDER THIS LEASE AND ALL CLAIMS AGAINST ANY PARTICIPANT OR THE LESSOR ARISING OUT OF OR IN CONNECTION WITH THE CONDITION, DESIGN, OPERATION, SPECIFICATION OR PERFORMANCE OF ANY ITEM OF EQUIPMENT INCLUDING, BUT NOT LIMITED TO, (1) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS THEREOF FOR A PARTICULAR PURPOSE OR USE OR SUITABILITY, (2) ANY IMPLIED WARRANTY THEREOF ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE, (3) ANY OBLIGATION, DUTY, LIABILITY, RIGHT, CLAIM OR REMEDY IN TORT WHETHER OR NOT FOUNDED IN STRICT LIABILITY IN TORT AND (4) FOR ANY OTHER DIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES except as otherwise provided in the Participation Agreement.

None of the provisions of this Article 3 or any other provision of this Agreement shall be deemed to amend, modify or otherwise affect the representations, warranties or other obligations (express or implied) of the Manufacturer or any subcontractor or supplier of the Manufacturer, with respect to any item of Equipment or to release the Manufacturer or any such subcontractor or supplier from any such representation, warranty or obligation.

ARTICLE 4

POSSESSION OF EQUIPMENT; FURTHER ASSURANCES

4.1. Insignia; Further Assurances.

(a) Upon delivery of Equipment, the Lessee shall fasten or cause to be fastened and maintained in a clearly visible location, on each item of Equipment, metal nameplates identifying the interests of the Lessor, and, so long as the Equipment shall remain subject to the Indenture, the interest of the Indenture Trustee, in and to such Equipment as follows:

THIS COACH IS LEASED FROM
SECURITY PACIFIC EQUIPMENT LEASING, INC.,
AS LESSOR
AND IS SUBJECT TO A SECURITY
INTEREST IN FAVOR OF
WILMINGTON TRUST COMPANY
AS INDENTURE TRUSTEE, MORTGAGEE

The Lessee will not allow the name of any Person other than the Lessor and the Indenture Trustee to be placed on any item of Equipment leased hereunder as a designation that might be interpreted as a Lien thereon or as a claim of ownership; provided, that the Lessee may cause the Equipment leased hereunder to be lettered and otherwise marked in an appropriate manner for convenience of identification of the interest therein of the Lessee or of any sublessee permitted under Section 4.2.

The Lessee will not change the road number of any item of Equipment unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Lessor and the Indenture Trustee and filed, recorded and deposited by the Lessee in all public offices where this Lease shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished to the Lessor and the Indenture Trustee an opinion of counsel to the effect that such statement has been so filed, recorded and deposited, such filing, recordation and deposit will protect the Lessor's and the Indenture Trustee's interest in such item and no filing, recording, deposit or giving notice with or to any other Federal, state or local government or agency thereof is necessary to protect the interests of the Lessor and the Indenture Trustee in such item.

(b) The Lessee will promptly and duly execute and deliver such further documents and assurances and take such further action as the Lessor or the Indenture Trustee may from time to time during the term of this Lease reasonably request or as may be necessary or appropriate in order more effectively to carry out the intent and purpose of this Lease (and, so long as any Notes are outstanding, the Indenture) and to establish and protect the rights and remedies created or intended to be created in favor of the Lessor or the Indenture Trustee, including, without limitation, at the expense of the Lessee, the execution and delivery of supplements or amendments hereto and thereto, in recordable form, subjecting any replacement or substituted Equipment to this Lease and the recording or filing of counterparts hereof, or of financing or continuation statements with respect hereto, in accordance with the laws of such jurisdictions as the Lessor may reasonably deem advisable.

(c) The Lessee agrees, for the benefit of the Lessor, to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each item of Equipment) with all laws of the jurisdictions in which its operations involving the items of Equipment may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative,

executive, administrative or judicial body exercising any power or jurisdiction over the items of Equipment, to the extent that such laws and rules are applicable to Lessee and affect the title, operation or use of the items of Equipment or are necessary to comply with health, safety or environmental standards as more fully described in Section 4(4) of the Internal Revenue Service Rev. Proc. 75-21, as modified by Rev. Proc. 79-48, and in the event that such laws or rules require any alteration, replacement or addition of or to any part of any item of Equipment, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner if in the reasonable opinion of the Lessor, such contest will not adversely affect the property or rights of the Lessor under this Lease.

4.2. Possession; Sublease. The Lessee may sublease all or any portion of the Equipment and thereby transfer or relinquish possession of any item of Equipment, provided that (i) no Event of Default shall have occurred and be continuing, (ii) the sublease and any transfer of the Equipment pursuant thereto shall not adversely affect the Lien of the Indenture on the Equipment, and (iii) the sublease and any transfer pursuant thereto of the Equipment do not in the reasonable opinion of any Participant impair the Contract Assistance Provisions or the Contract for Financial Assistance. The Lessee may also, without the prior written consent of the Lessor: transfer possession of any item of Equipment for delivery thereof to the manufacturer thereof for testing or other similar purposes or to any organization for service, repair, maintenance or overhaul work on such item of Equipment, or any Part thereof, or for alterations or modification in or additions to such item of Equipment to the extent required or permitted by the terms of Article 6; provided, however, that: (1) the rights of any transferee who receives possession by reason of a transfer permitted by this Section 4.2 shall be subject and subordinate to, and any sublease permitted by this Section 4.2 shall be made expressly subject and subordinate to, all the terms of this Lease and the Indenture including surrender of possession of each item of Equipment upon a termination of this Lease and the right to repossession pursuant to Article 13 and the avoidance of such sublease upon such repossession, (2) the Lessee shall remain primarily liable hereunder for the performance of and compliance with all of the terms and provisions of this Lease to the same extent as if such sublease or transfer had not occurred and (3) without limiting the effect of the preceding clause (2), any such sublease shall include appropriate provisions (whether by requiring such obligations to be performed by the sublessee, the Lessee, or both) for the operation, location,

maintenance, insurance and return of any item of Equipment subleased thereby in accordance with the terms hereof.

4.3. Reports by Lessor. The Lessee will prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor of the items of Equipment or the leasing thereof to the Lessee.

ARTICLE 5

MAINTENANCE AND OPERATION OF EQUIPMENT; REPLACEMENT OF PARTS

5.1. Maintenance. During the Lease Term and the storage period referred to in Section 2.2(d), the Lessee, at its sole cost and expense, shall maintain, inspect, service, repair, overhaul and test, or cause the same to be done to, each item of Equipment so as to keep such item of Equipment in good operating condition, ordinary wear and tear from the careful and proper use thereof excepted, and in conformity with the operating, running, maintenance and heavy repair manuals, instructions and service bulletins furnished by the Manufacturer or by any subcontractor or supplier of the Manufacturer and in accordance with the Lessee's standard practices for similar equipment (including, without limitation, the Lessee's maintenance program for the Equipment, as from time to time in effect). The Lessee shall maintain all records, logs and other materials required by all governmental authorities to be maintained in respect of the Equipment and shall promptly furnish to the Lessor upon the Lessor's request such information as may be required to enable the Lessor to file any reports required to be filed with any governmental authority as a result of the Lessor's interest in the Equipment.

5.2. Operations.

(a) The Lessee shall not permit any item of Equipment to be maintained, serviced, repaired, overhauled, tested, used or operated in violation of any law or any rule, regulation or order of any governmental authority having jurisdiction, or in violation of any license or regulation relating to any item of Equipment issued by any such authority; provided, that the Lessee may in good faith (after having delivered to the Lessor and the Indenture Trustee an Officer's Certificate stating the facts with respect thereto) contest the validity thereof in any reasonable manner which does not adversely affect the Lessor or

the interests of the Noteholders or jeopardize the Lien of the Indenture and which is consistent with and does not impair the continuance in full force and effect of any insurance required to be maintained pursuant to Article 9. In the event that any such law, rule, regulation or order requires alteration of any item of Equipment, the Lessee will conform thereto or obtain conformance therewith at no expense to the Lessor and will maintain such item of Equipment in proper operating condition under such laws, rules, regulations and orders; provided, that the Lessee may in good faith (after having delivered to the Lessor and the Indenture Trustee an Officer's Certificate stating the facts with respect thereto) contest the validity thereof in any reasonable manner which does not adversely affect the Lessor or the interests of the Indenture Trustee or the Noteholders or jeopardize the Lien of the Indenture and which is consistent with any insurance required to be maintained pursuant to Article 9.

The Lessee agrees that (i) it will not operate or locate any item of Equipment, or suffer any item of Equipment to be operated or located, in any area or on any route or in any manner excluded from coverage by any insurance required by the terms of Article 9 or which might impair the Lien of the Indenture and (ii) it will not operate the Equipment if any Event of Default under Article 12(d) shall have occurred and be continuing.

(b) The Lessor agrees to take such reasonable actions as may be appropriate to comply at the Lessee's request and expense with all laws, rules and regulations applicable to the Lessor and necessary to maintain the operation of the Equipment to the extent that such actions cannot be taken by the Lessee on behalf of the Lessor.

5.3. Replacement of Parts. The Lessee, at its sole cost and expense, will promptly replace all Parts which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use for any reason whatsoever. In addition, the Lessee may, at its sole cost and expense, remove in the ordinary course of maintenance, service, repair, overhaul or testing, any Parts, whether or not worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use, provided that the Lessee will at its sole cost and expense replace such Parts as promptly as possible. All replacement Parts immediately prior to installation on the Equipment shall be free and clear of all Liens (except for Permitted Liens) and shall be in as good operating condition as, and shall have a value and utility at least equal to, the Parts replaced, assuming such replaced Parts were in the condition and repair required to be

maintained by the terms hereof; provided, that the Lessee shall have the right to install temporary replacement Parts pending completion of permanent repairs or installation of permanent replacement Parts, in which event the Lessee shall install permanent replacement Parts to meet such requirements as soon as reasonably possible and in any event prior to the termination of the Lease Term. Subject to Article 6, all Parts at any time removed from any item of Equipment shall remain the property of the Lessor and subject to this Lease, no matter where located, until such time as such Parts shall be replaced by Parts which have been incorporated or installed in or attached to the item of Equipment from which such replaced Parts were removed and which meet the requirements for replacement Parts specified above. Immediately upon any replacement Part becoming incorporated or installed in or attached to such item of Equipment as above provided, without further act, (a) title to such replacement Part shall thereupon vest in the Lessor, (b) such replacement Part shall become subject to this Lease and be deemed part of such item of Equipment for all purposes hereof to the same extent as the Part originally incorporated or installed in or attached to such item of Equipment and (c) title to the replaced Part shall thereupon vest in the Lessee, free and clear of all rights of the Lessor, and shall no longer be deemed a "Part" hereunder. The Lessee, at its sole cost and expense, will take such action as may be necessary or appropriate to create, maintain or preserve the Lien of the Indenture with respect to such replacement Parts.

ARTICLE 6

ALTERATIONS, MODIFICATIONS AND ADDITIONS

The Lessee, at its sole cost and own expense, will make such alterations and modifications in and additions to the Equipment as may be required from time to time (regardless upon whom such requirements are by their terms nominally imposed) to meet all requirements of Applicable Law; provided, that Lessee may in good faith (after having delivered to the Lessor an Officer's Certificate stating the facts with respect thereto) contest the validity of such requirements in any reasonable manner which does not adversely affect the Lessor or the interests of the Indenture Trustee or the Noteholders or jeopardize the Lien of the Indenture and which is consistent with and does not impair the continuance in full force and effect of any insurance required to be maintained pursuant to Article 9. In addition, the Lessee, at its own expense, may from time to time make such alterations and modifications in and additions to any item of Equipment as the Lessee may deem desirable in the proper conduct of its business, including

removal of Parts (herein called "Obsolete Parts") which the Lessee deems obsolete or no longer appropriate or suitable for use in the Equipment; provided (a) that no such alteration, modification, removal or addition changes the basic use or function of the Equipment or diminishes the value, utility or condition of such item of Equipment below the value, utility and condition thereof immediately prior to such alteration, modification, removal or addition if such item of Equipment were then in the condition required to be maintained by the terms of this Lease and (b) that each such alteration, modification, removal and addition is done in compliance with the Advance Ruling Guidelines of the Internal Revenue Service set forth in Revenue Procedures 75-21 and 79-48. Except as otherwise set forth in the next succeeding sentence, title to all appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment of whatever nature (the "Additions") incorporated or installed in or attached to or added to such item of Equipment as the result of such alteration, modification or addition shall, without further act, vest in the Lessee if the Additions can be readily removed from such item of Equipment without diminishing or impairing the value, utility or condition which such item of Equipment would have had at such time had the alteration, modification, or addition not occurred. Title to (i) all Additions which cannot be so removed, (ii) replacement Parts referred to in Section 5.3, (iii) any and all parts installed on and additions and replacements made to any item of Equipment which are required for the operation or use of such item of Equipment by the Interchange Rules of the Association of American Railroads (if applicable) or by the applicable regulations of the Department of Transportation, the Interstate Commerce Commission or any other applicable regulatory body, and (iv) Additions intended to enhance the performance or operation of any item of Equipment shall, without further act, vest in the Lessor and become subject to this Lease, provided, that so long as no Default or Event of Default shall have occurred and be continuing, the Lessee may, at any time during the Lease Term, remove any Addition from such item of Equipment, provided that (a) such Addition is in addition to, and not in replacement of or substitution for, any such item of Equipment, (b) such Addition is not required to be incorporated or installed in or attached or added to such item of Equipment pursuant to the terms of Section 5.1 or Section 5.3 or the first sentence of this Article 6, and (c) such Addition can be readily removed from such item of Equipment without diminishing or impairing the value, utility or condition which such item of Equipment would have had at such time had such alteration, modification, or addition not occurred. Upon the removal by the Lessee of any Addition as above provided, title thereto shall, without further act, vest in the Lessee and such Addition shall no longer be deemed a "Part" hereunder. Any Addition not removed

by the Lessee as above provided prior to the return of such item of Equipment to the Lessor hereunder shall remain the property of the Lessor.

The Lessor shall not bear any liability or cost for any alteration, modification or addition to any item of Equipment.

ARTICLE 7

LIENS

The Lessee will not directly or indirectly create, incur, assume or suffer to exist any Lien on or with respect to any item of Equipment, title thereto or any interest therein or in this Lease or the Rent or any other payments provided for hereunder except Permitted Liens. The Lessee will promptly, at its own expense, take such action as may be necessary duly to discharge any Lien not excepted above if the same shall arise at any time.

The Lessor agrees that it will not (except as contemplated by this Lease, Section 11 of the Participation Agreement or the Indenture) sell, transfer or otherwise dispose of any item of Equipment or interest therein; provided, however, that the Lessor may enter into an agreement, subject to the Lessee's rights under Article 2, to sell or lease any item of Equipment, such sale to take place or lease to commence after the end of the Lease Term with respect to such item of Equipment.

ARTICLE 8

RENT; LESSEE COVENANTS

8.1. Interim Term and Basic Term.

(a)(1) The Lessee shall pay Lessor Interim Rent in arrears for the Interim Term on January 30, 1988 in an amount equal to the percentage of the Lessor's Purchase Price set forth on Schedule 1 opposite such date.

(a)(2) The Lessee shall pay Basic Rent with respect to the Basic Term in 50 consecutive semiannual installments in arrears on each Rent Payment Date during the Basic Term. Subject to adjustment as provided in this Section 8.1, Sections 8.5 and 8.6 hereof and Section 8.9 of the Participation Agreement and in the Tax Indemnity Agreement, each installment shall be in a minimum amount equal to the applicable percentage of the Lessor's Purchase Price as set forth in Schedule 1 for those items of Equipment that are subject to this Lease on such Rent

Payment Date. The Lessee acknowledges that Schedule 1 is based upon the minimum 8.875% interest rate applicable to and contemplated in the Series A Notes. The Lessee agrees to pay to the Lessor, as an additional component of the Basic Rent, such amounts, at such times, as are equal to the increased amounts of interest the Lessor is required to pay to the holders of the Series A Notes pursuant to items (ii) through (vi) of the said Series A Notes.

The percentages set forth in Schedule 1 and in Exhibit B assume that Lessor's Cost will be equal to 103% of Lessor's Purchase Price, resulting in the Net Economic Return. If the Lessor shall pay (or shall become obligated to pay or cause to be paid) an amount in excess of or less than 3.0% of Lessor's Purchase Price as payment of Transaction Costs (any amount in excess of 3.0% paid or so to be paid by the Lessor described in this clause is referred to herein as an "Additional Investment"; any amount less than 3.0% paid or so to be paid by the Lessor described in this clause is referred to herein as a "Reduced Investment"), then in such case (but subject to Section 8.2) the percentages relating to Stipulated Loss Value and Basic Rent will be appropriately adjusted on July 30, 1988 (and from time to time thereafter, if necessary) by such amount or amounts as shall be necessary to preserve the Lessor's Net Economic Return. If the Lessor shall make an Additional Investment or Reduced Investment as described above, the Lessor shall (a) notify the Lessee in writing of the occurrence of such event, (b) provide the Lessee with revised percentages to be set forth in Schedule 1 and in Exhibit B, (c) confirm in writing to the Lessee (certified by an officer of the Lessor) that the same assumptions and methods of computation employed in the original calculations of Stipulated Loss Value and Basic Rent were used in computing such revised percentages and (d) describe in reasonable detail and in writing the calculations and bases of computing such revised percentages. Promptly upon such confirmation, the Lessor and the Lessee shall enter into a Lease Supplement providing for an adjustment in the percentages set forth in Schedule 1 and in Exhibit B pursuant to this Section 8.1. In the event the Lessee believes that such revised percentages were not correctly computed by or on behalf of the Lessor (including, without limitation, the belief that the assumptions and methods used in calculating such revised percentages are not the same as those employed in the original calculations of Stipulated Loss Value, Interim Rent, and Basic Rent), any conflict between the Lessor and the Lessee shall be resolved by an independent accounting firm of recognized national standing selected by the Lessor. The fees and expenses of such procedure shall be paid as follows: (1) if the computations provided by such accounting firm are different from the Lessor's computations and if the difference is in favor of the Lessee computed on a present value basis

(discounted at 10%, compounded semi-annually), such fees and expenses shall be borne by the Lessor if such difference in favor of the Lessee equals or exceeds 2% of the present value (so computed) of the computations provided by or on behalf of the Lessor, or (ii) otherwise by the Lessee.

(b) All amounts received by the Lessor pursuant to Section 3(d)(iv) of the Purchase Agreement Assignment shall be applied by the Lessor as follows: (i) the Lessor's Portion shall be retained by the Lessor and (ii) all amounts in excess of the Lessor's Portion shall be promptly paid to the Lessee. For purposes of this Section 8.1(b) the "Lessor's Portion" shall be an amount determined by multiplying the aggregate of all amounts received by the Lessor pursuant to Section 3(d)(iv) of the Purchase Agreement Assignment by a fraction the numerator of which is the difference between (i) the useful life of the Equipment as set forth in the Appraisal and (ii) twenty-eight (28) years, and the denominator of which is the useful life of the Equipment.

8.2. Payment of Rent and Stipulated Loss Value. Anything contained in this Lease or the Tax Indemnity Agreement to the contrary notwithstanding, (x) each payment of Interim Rent or Basic Rent payable on each Rent Payment Date shall in no event be less than the installment of principal and interest due and payable on the Notes on such Rent Payment Date, and (y) each payment of Stipulated Loss Value pursuant to Article 10 shall in no event be less than the principal amount of the Notes to be redeemed, and interest due and payable thereon, on the date of payment thereof (after giving effect to the payment of Interim Rent or any installment of Basic Rent paid on such date). The Lessee shall pay all Rent hereunder free and clear of all Taxes with respect to which the Lessee is required to pay an indemnity pursuant to Section 8.2 of the Participation Agreement so that in no event shall any payment of Rent be less than the amount which would have been paid had no such Taxes been imposed.

8.3. Supplemental Rent; Interest on Overdue Rent. In addition to its obligation to pay Interim Rent, Basic Rent and, if renewed, Renewal Rent hereunder, the Lessee shall pay to the Lessor and/or to whoever shall be entitled thereto any and all Supplemental Rent as and when the same shall become due and owing, and, in the event of any failure on the part of the Lessee to pay any Supplemental Rent when the same shall become due and owing, the Lessor shall have all rights, powers and remedies provided for herein or at law or in equity or otherwise in the case of nonpayment of Interim Rent, Basic Rent or, if renewed, Renewal Rent. The Lessee also agrees to pay to the Lessor, upon demand, as Supplemental Rent, to the extent permitted by Applicable Law, interest at the Overdue Interest

Rate on (i) any part of any installment of Interim Rent, Basic Rent and, if renewed, Renewal Rent not paid when due for each day for which the same shall be overdue, and (ii) any payment of Supplemental Rent (other than such interest) not paid when due for each day for which the same shall be overdue. The expiration or other termination of the Lessee's obligation to pay Interim Rent, Basic Rent or, if renewed, Renewal Rent hereunder shall not limit or modify the obligations of the Lessee with respect to Supplemental Rent. All payments of Supplemental Rent that are required by any provision of the Operative Documents to be paid on an After-tax Basis shall have been calculated and shall be paid on an After-tax Basis.

8.4. Place of Payment of Rent; No Setoff, Counterclaim, Etc. So long as Notes shall be outstanding and to the extent provided therein and notwithstanding any provision hereof to the contrary, all Rent, except payments required by Sections 8.2 or 8.3 of the Participation Agreement and payments required by the Tax Indemnity Agreement, payable (and all amounts payable pursuant to the penultimate sentence of this Section 8.4) at any time when Notes shall be outstanding shall be paid by the Lessee to the Indenture Trustee at its office at Wilmington Trust Center, Rodney Square North, Wilmington, Delaware 19890, Attention: Corporate Trust Administration. Such payments shall discharge the obligations of the Lessee to the Lessor hereunder to the extent of such payments. Each such payment to the Indenture Trustee shall be accompanied by notice by the Lessee as to the provisions of the Lease pursuant to which such payment is being made. All Rent payable after receipt by the Lessee of written notice from the Indenture Trustee stating that the Indenture has been satisfied and discharged shall be paid by the Lessee to the Lessor at such account as shall theretofore have been specified by the Lessor in a notice delivered to the Lessee. Each Rent payment shall be made by the Lessee in immediately available funds prior to 11:00 a.m. (Boston time) on the day when such payment is due.

The Lessee's agreement to pay all Rent shall be absolute and unconditional under any and all circumstances and shall not be affected by any circumstances of any character, including, without limitation, (i) any change, waiver, extension, indulgence or other action or omission in respect of any obligation or liability of the Lessor hereunder unless effected in compliance with the terms hereof and the Indenture, (ii) any setoff, counterclaim, recoupment, defense or other right which the Lessee may have against the Lessor, the Indenture Trustee, any Participant, the Manufacturer or any other Person for any reason whatsoever, (iii) any defect in the title, condition, design, operation or fitness for use or particular purpose of the Equipment or in the Lien of the Indenture Trustee on title to the Equipment, (iv) any loss or destruction of, or damage

to, the Equipment or interruption or cessation in the use or possession thereof by the Lessee for any reason whatsoever and of whatever duration, (v) any requisition, restriction, prevention or curtailment of or interference with any use of the Equipment or any Part thereof, (vi) any insolvency, bankruptcy, reorganization or similar proceeding by or against the Lessee or the Lessor, (vii) any failure to obtain any required governmental consent for a transfer of rights or title to the Lessee or any other Person pursuant to Section 2.3 or Article 10 or otherwise, (viii) the invalidity or unenforceability of this Lease or any other infirmity herein or any lack of power or authority of the Lessor or the Lessee to enter into this Lease, (ix) any deprivation of the Lessee (by the Lessor or any other Person) of the peaceful and quiet occupation and enjoyment of any or all of the Equipment or any items or Part thereof, (x) any indemnity payment made by the Lessee, (xi) any breach or alleged breach by the Lessor of any representation, warranty or covenant made in connection with the transactions contemplated hereby or (xii) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing. Each Rent payment (and each payment pursuant to the immediately succeeding sentence of this Section 8.4) made by the Lessee shall be final, and the Lessee will not seek to have any right to recover all or any part of such payment from the Lessor, the Indenture Trustee or any Participant for any reason whatsoever. If for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law or otherwise except as expressly provided herein, the Lessee shall nonetheless pay to the Lessor an amount equal to each payment of Interim Rent and Basic Rent hereunder at the time and in the manner that such payment would have become due and payable hereunder if the Lease had not been terminated in whole or in part until all payments of Interim Rent and Basic Rent required by the terms of this Lease have been made. Nothing contained in this Section 8.4 shall be construed to be a waiver, modification, alteration or release of any claim which the Lessee may have at any time for damages or equitable relief against the Lessor, the Manufacturer or any other Person.

8.5. Adjustments Due to Changes in Tax Law. The percentage of Lessor's Purchase Price constituting Basic Rent set forth in Section 8.1 has been calculated on the assumption that the Lessor will be entitled for income tax purposes to depreciation deductions, amortization deductions and interest deductions as and to the extent contemplated by, and set forth in, Section 2(f), (g) and (i) of the Tax Indemnity Agreement. In the event that prior to January 1, 1988 there are any changes in the Code or the Regulations which would increase or decrease such tax attributes or the value to the Lessor of such attributes, the percentages of Lessor's Purchase Price constituting Interim Rent or Basic Rent promptly shall be decreased or increased, as

the case may be, so as to provide the Lessor with the Net Economic Return that it would have received had such change not occurred.

In the event any adjustment to the percentage of Lessor's Purchase Price constituting Interim Rent or Basic Rent is made pursuant to the terms of this Section 8.5, the Stipulated Loss Values and the description of the tax attributes contained in Section 2 of the Tax Indemnity Agreement shall be revised to reflect such adjustment, but the Stipulated Loss Value on any date shall in no event be less than the principal amount of the Notes outstanding and interest due and payable thereon on the date of payment thereof (after giving effect to the payment of Interim Rent and any installment of Basic Rent due on such date).

In all cases where Stipulated Loss Value, Interim Rent and Basic Rent are adjusted pursuant to this Section 8.5, the Lessor will confirm in writing to the Lessee (certified by an officer of the Lessor) that the same assumptions and methods of computation employed in the original calculations of Stipulated Loss Value, Interim Rent and Basic Rent were used in such adjustments and describe in reasonable detail and in writing the calculation and basis of computing such adjustments. In the event the Lessee believes such adjustments were not correctly computed by or on behalf of the Lessor (including, without limitation, the belief that the assumptions and methods used in calculating such adjustments are not the same as those employed in the original calculations of Stipulated Loss Value, Interim Rent and Basic Rent), any conflict between the Lessor and the Lessee shall be resolved by an independent accounting firm of recognized national standing selected by the Lessor. The fees and expenses of such procedure shall be paid as follows: (1) if the computations provided by such accounting firm are different from the Lessor's computations and if the difference is in favor of the Lessor computed on a present value basis (discounted at 10%, compounded semi-annually), such fees and expenses shall be borne by the Lessor, provided, that if the Lessor fails to pay such fees and expenses, the Lessee shall pay them and no such adjustments in favor of the Lessor shall be made; and (2) if the computations provided by such accounting firm are different from the Lessor's computations and if the difference is in favor of the Lessee computed on a present value basis (discounted at 10%, compounded semi-annually), such fees and expenses shall be borne (i) by the Lessor if such difference in favor of the Lessee equals or exceeds 2% of the present value (so computed) of the computations provided by or on behalf of the Lessor, or (ii) otherwise by the Lessee and (3) if the computations provided by such accounting firm are the same as the Lessor's computations, such fees and expenses shall be borne by the Lessee.

8.6. Rent Adjustment. Anything herein to the contrary notwithstanding, if Interim Rent or Basic Rent, as adjusted, payable on any Rent Payment Date would be less than the installment of interest and principal due and payable on the Notes on such Rent Payment Date, Interim Rent or Basic Rent payable on such day will be increased to an amount at least equal to such installment, and the Lessor and the Lessee will, to the extent possible, make appropriate adjustments in other installments of Basic Rent (without, however, reducing any installment due on any Rent Payment Date to an amount less than the installment of interest and principal due and payable on the Notes on such Rent Payment Date), so as to provide to the Lessee and the Lessor the benefits they would have had (including the Lessor's Net Economic Return) if the provisions of Section 8.1 or Section 8.5, as appropriate, had been applied.

8.7. Covenants Regarding Contract Assistance. The Lessee shall, at all times until all the Equipment shall have been returned or purchased, all other obligations of the Lessee under the Lease and all other Operative Documents satisfied and the Notes paid in full, fully and promptly exercise all rights and pursue all claims and remedies which are available to the Lessee against the Commonwealth with respect to the payment by the Commonwealth of, or the reimbursement of the Lessee by the Commonwealth with respect to, Rent, including, without limitation, rights, remedies or claims from time to time possessed by the Lessee under the Contract for Financial Assistance and/or under Sections 12, 13 or 28 of Chapter 161A of the General Laws of the Commonwealth as now in force or as hereafter amended (such specific statutory provisions or other statutory provisions from time to time providing rights, claims or remedies in favor of the Lessee as against the Commonwealth with respect to Rent which are substantially equivalent thereto, collectively referred to herein as the "Contract Assistance Provisions"). Without limitation to the foregoing, the Lessee agrees with the Lessor as follows:

(a) The Lessee shall in a timely fashion approve in its annual budget for each of its fiscal years an amount necessary to pay all Rent anticipated to be payable by the Lessee during such fiscal year;

(b) Promptly after becoming aware that the Rent payable hereunder in any fiscal year is or shall be greater than the Rent previously budgeted for such fiscal year, the Lessee shall prepare and approve a supplemental budget for such fiscal year covering the amount by which such aggregate actual amount of Rent exceeds such previously budgeted aggregate amount; and

(c) The Lessee will promptly submit to the Treasurer of the Commonwealth all reports, requests, certificates or other instruments required to obtain payment from the Commonwealth under the Contract Assistance Provisions and under the Contract for Financial Assistance.

If prior to any Rent Payment Date the Lessee has Actual Knowledge that it will be without funds sufficient to pay in full the Rent payment due on such Rent Payment Date, the Lessee shall immediately execute and deliver to the Treasurer of the Commonwealth a certification under Sections 12 or 13 of Chapter 161A of the General Laws of the Commonwealth calling for the payment by the Commonwealth to the Lessee of the net cost of service consisting of that portion of the Rent payment for which the Lessee lacks sufficient funds. If the Commonwealth does not promptly pay the amount so certified, the Lessee shall promptly and diligently proceed against the Commonwealth through the use of all appropriate judicial remedies to obtain payment of the amount so certified.

8.8. Additional Covenants.

(a) The Lessee will, promptly after having Actual Knowledge thereof, notify each Participant of any litigation or administrative or arbitration proceedings affecting the Equipment or affecting the Lessee or any of its other assets, which, if adversely decided would, either individually or in the aggregate, have a material and adverse effect on the ability of Lessee to perform its obligations under any Operative Document.

(b) The Lessee will use the Equipment in a sound and safe manner using due care at all times to maintain and operate the Equipment in accordance with applicable safety standards.

(c) The Lessee will use the Equipment solely within the borders of the continental United States.

ARTICLE 9

INSURANCE

9.1. Public Liability and Property Damage Insurance. The Lessee at its sole cost and expense, will maintain or cause to be maintained at all times during the Lease Term and the storage period referred to in Section 2.2(d) public liability insurance including passenger legal liability, personal injury liability, contractual liability and property damage coverage. Such insurance shall be in such amounts and with such insurance companies as is consistent with prudent industry practice and

acceptable to Lessor, and, in any event, subject to commercial availability; provided, however, that such insurance companies must have a Best rating of at least "B+" or, if not subject to Best rating, must be of financial strength comparable to that required for a Best "B+" rating; and provided, further, that the Lessor confirms that the insurance program outlined in the letter of Fred S. James Co. Inc. to the Lessor dated December 30, 1987 is in amounts and with such insurance companies as is acceptable to the Lessor. Such amounts of insurance shall not be less than such insurance coverage carried by and the related deductibles or retentions shall not be greater than deductibles or retentions of, similar commuter rail systems of comparable size. All such policies of insurance and all policies taken out in substitution or replacement of the required policies shall (i) name the Lessor and the Indenture Trustee, as additional insureds, as their respective interests may appear, (ii) provide that no cancellation (including for nonpayment of premium) or material change of coverage be effective until at least 30 days after notice thereof has been mailed to the Lessor, the Indenture Trustee and any other named insureds and (iii) provide that no breach of warranty on the part of the Lessee or other action of the Lessee shall impair the rights of the Lessor or Indenture Trustee under such policies. If within the last five years of the Basic Term or any Renewal Term, insurance is obtained on a claims made basis, Lessee shall continue such coverage in force for three years following the expiration of the Lease Term with the Lessor and Indenture Trustee remaining as additional insureds.

9.2. Insurance Against Loss or Damage to Equipment. The Lessee, without expense to the Lessor or other additional insureds, will maintain or cause to be maintained at all times during the Lease Term and the storage period referred to in Section 2.2(d) all-risk insurance covering loss or damage to the Equipment and Parts which is of such type, in such amounts (but in any event not less than \$75 million) and with such deductibles or retentions, so long as the Lessee's long-term unsecured tax-exempt debt is rated Investment Grade, and is not less than such insurance coverage carried by similar commuter rail systems of comparable size, and with such insurance companies as usually carried by similar commuter rail systems of comparable size and acceptable to Lessor, and, in any event, subject to commercial availability; provided, however, that such insurance companies must have a Best rating of at least "B+" or, if not subject to Best rating, must be of financial strength comparable to that required for a Best "B+" rating and, provided further, that Lessor confirms that the insurance program outlined in the letter of Fred S. James Co., Inc. to Lessor dated December 30, 1987 is in amounts and with such insurance companies as is acceptable to Lessor. All policies carried in accordance with this Section 9.2 during the term of

this Lease shall (a) name the Lessor and the Indenture Trustee as loss payees, as their interests may appear, (b) provide that no cancellation (including for nonpayment of premium) or material change of coverage be effective until at least 30 days after notice thereof has been mailed to the Lessor, the Indenture Trustee and any other loss payees and (c) provide that no breach of warranty by the Lessee or other action by the Lessee shall impair the rights of the Lessor or Indenture Trustee.

9.3. Application of Insurance Proceeds for Event of Loss. As between the Lessor and the Lessee it is agreed that all insurance payments received as the result of the occurrence of an Event of Loss with respect to an item of Equipment will be applied as follows (but subject to Section 9.5):

(a) unless such items of Equipment are replaced pursuant to Section 10.1(b), so much of such payments as shall not exceed the amounts due under Section 10.1(a) shall be applied in reduction of the Lessee's obligation to pay such amounts, if not already paid by the Lessee, or, if already paid by the Lessee, shall be applied to reimburse the Lessee for its payments of such amounts, and the balance, if any, of such payments remaining thereafter will be paid to the Lessee; and

(b) if such items of Equipment are replaced pursuant to Section 10.1(b), such payments shall be paid over to or retained by the Lessee, provided that the Lessee shall have fully performed or, concurrently therewith, will fully perform the terms of Section 10.1(b).

9.4. Application of Insurance Proceeds for Other Than Event of Loss. As between the Lessor and the Lessee, the insurance proceeds of any property damage loss to any Equipment not constituting an Event of Loss will be applied in payment (or to reimburse the Lessee) for repairs or for replacement property in accordance with the terms of Article 5, and (subject to Section 9.5) any balance remaining after compliance with such Article with respect to such loss shall be paid to, or retained by, the Lessee.

9.5 Application During Existence of Event of Default. Any amount referred to in Sections 9.3(a), 9.3(b) or 9.4 which is payable to the Lessee shall not be paid to the Lessee or, if it has been previously paid to the Lessee, shall not be retained by the Lessee, if at the time of such payment an Event of Default or a Default shall have occurred and be continuing. In such event, all such amounts shall be paid to and held by the Lessor as security for the obligations of the Lessee to make payments under the Participation Agreement or to pay Rent hereunder or, at the Lessor's option, applied by the Lessor

toward payment of any of such obligations of the Lessee at the time due hereunder or under the Participation Agreement as the Lessor may elect. At such time as there shall not be continuing any Default or Event of Default, all such amounts at the time held by the Lessor in excess of the amount, if any, which the Lessor shall have elected to apply as above provided shall be paid to the Lessee.

9.6 Certificates, Etc. The Lessee will during the Lease Term and the storage period referred to in Section 2.2(d) furnish to the Lessor, the Noteholders and the Indenture Trustee, evidence (including certified copies of policies if requested) of renewal or replacement of the insurance policies required pursuant to this Article 9 prior to the cancellation, lapse or expiration of such insurance policies and, on the renewal dates of the insurance policies carried by the Lessee pursuant to this Article 9, a certificate of Lessee's insurance broker describing in reasonable detail the insurance carried by the Lessee to comply with this Article 9, the primary and excess insurance carriers and their respective percentage interests, and an Officer's Certificate from the Lessee stating that the insurance then carried and maintained on the Equipment complies with the terms hereof.

9.7. Additional Insurance. Nothing contained herein shall prevent the Lessee, the Lessor, the Indenture Trustee or any Noteholder from carrying at its own expense additional insurance in excess of or in addition to that required hereunder; provided that no such insurance may be obtained which would limit or otherwise adversely affect the coverage or payment of any insurance required to be maintained pursuant to this Article 9 or prevent the payment of a policy premium which, if not paid by the Lessee, would invalidate the required coverage.

ARTICLE 10

EVENT OF LOSS; DAMAGE

10.1. Event of Loss with Respect to Equipment. Upon the occurrence of an Event of Loss with respect to the Equipment, the Lessee shall give the Lessor prompt (and in any event within five days after such occurrence) written notice thereof and shall, within 30 days of such Event of Loss, elect by written notice to the Lessor either to make payment to the Lessor or to substitute equipment for the items of Equipment subject to such Event of Loss as provided, respectively, in paragraphs (a) and (b) below (failure by the Lessee to make such election within said 30 days being deemed to be an election of alternative (a)).

(a) If the Lessee shall elect to make payment to the Lessor, it shall, not later than the earlier of (x) the Stipulated Loss Value Date next following receipt of insurance proceeds in respect of such Event of Loss and (y) the Stipulated Loss Value Date next following the date which is 45 days following such Event of Loss, pay or cause to be paid to the Lessor the Stipulated Loss Value for the item of Equipment, computed as of the date of payment (provided that (i) if the Stipulated Loss Value Date on which such payment occurs is also a Rent Payment Date or (ii) if the Event of Loss occurs prior to a Rent Payment Date, and the Stipulated Loss Value Date on which payment occurs is after that intervening Rent Payment Date, then in each case the Interim Rent or the Basic Rent payable on such Rent Payment Date and such Stipulated Loss Value Date shall be payable as if the Equipment in respect of which the Stipulated Loss Value is payable had not been subject to an Event of Loss), it being understood that in the event the Lessee shall be required to pay, and shall pay, Stipulated Loss Value pursuant to Section 13(a), or liquidated damages pursuant to Sections 13(c) or 13(d) and any interest thereon, then, to the extent of such payment and giving proper effect to the timing of such payment, the Lessee's obligation to pay Stipulated Loss Value thereon pursuant to this Section 10.1(a) shall be reduced.

At such time as the Lessor, or (so long as Notes shall be outstanding) the Noteholders and the Lessor, shall have received the Stipulated Loss Value specified above, together with all other amounts then due and payable hereunder, including any rent payable on the Stipulated Loss Value Date, and under any other Operative Documents, (A) the obligation of the Lessee to pay Basic Rent or Renewal Rent hereunder with respect to the Equipment subject to the Event of Loss which would otherwise become due and payable after, but not on or before, the Stipulated Loss Value Date next following the date of such Event of Loss, shall terminate, provided that if a Rent Payment Date shall occur after the date of such Event of Loss but prior to the date of such payment, the Lessee shall pay on such Rent Payment Date the Basic Rent or Renewal Rent that would have been due on such Rent Payment Date if such Event of Loss had not occurred, (B) the Lease Term shall end as to the Equipment subject to such Event of Loss and (C) the Lessor shall Transfer to the Lessee or as the Lessee shall direct, subject to the rights of any insurer: (1) the items of Equipment which were subject to such Event of Loss; and (2) all claims, if any, relating to the leasehold interest arising from such Event of Loss against third parties for damage to or loss of the Equipment which was subject to such Event of Loss. Upon such Transfer, the Equipment which is subject to such Transfer shall cease to be an item of Equipment hereunder. The net proceeds of all such claims relating to the leasehold interest

against third parties arising from such Event of Loss, if any, after payment of the Lessor's and Lessee's out-of-pocket costs and expenses shall be applied in the same manner as the proceeds of insurance are applied pursuant to Section 9.3(a).

(b) Upon the occurrence of an Event of Loss with respect to any item of Equipment (the "Destroyed Equipment"), if there exists no Event of Default (or an Event of Default other than an Event of Default described in Section 12(e), which would constitute an Event of Default but for lapse of time or the giving of notice or both) shall have occurred and be continuing, the Lessee may elect, by written notice to the Lessor and (so long as Notes shall be outstanding) the Indenture Trustee given within 30 days after the date of such Event of Loss, to substitute equipment for such Destroyed Equipment as provided in this Section 10.1(b) and Section 10.2, in which case the Lessee shall have no obligation to make any payment pursuant to Section 10.1(a) with respect to such Destroyed Equipment; provided, however, the Lessee shall not have the option to substitute equipment if such substitution would constitute a Disqualifying Event. If the Lessee shall so elect to substitute, it shall within 120 days after the date of such Event of Loss convey to the Lessor substitute mass transit commuting vehicular equipment substantially similar to the Destroyed Equipment having a fair market sales value, residual value and estimated useful life at least equal to the fair market sales value, residual value and estimated useful life of, and being in as good operating condition as, the Destroyed Equipment immediately prior to the occurrence of such Event of Loss assuming that the Destroyed Equipment was at that time in the condition and repair required to be maintained hereunder.

Upon full compliance by the Lessee with the terms of Sections 10.1(b) and 10.2 and if no Default or Event of Default shall have occurred and be continuing, the Lessor shall Transfer to the Lessee or as the Lessee shall direct, subject to the rights of any insurer: (i) the Destroyed Equipment and (ii) all claims, if any, arising from such Event of Loss against third parties for damage to or loss of the Destroyed Equipment. Upon such Transfer, the Destroyed Equipment shall cease to be an item of Equipment hereunder.

10.2. Documents Required in Connection with Substitution. At the time of any substitution for any item of Equipment pursuant to Section 10.1(b), the Lessee will deliver at its own expense to the Lessor and (so long as Notes shall be outstanding) the Indenture Trustee the following and the following conditions precedent shall be satisfied:

(a) an Officer's Certificate stating (A) the model numbers of the replacement item of Equipment (the

"Substitute Equipment") and the name of the manufacturer of the Substitute Equipment, (B) that the Substitute Equipment is in good operating condition and repair, is of a type substantially similar to the Destroyed Equipment and meets the applicable useful life and value requirements and the other requirements of Section 10.1(b), (C) that all conditions precedent provided for in Section 10.1(b) relating to such substitution have been complied with, (D) that there exists no Default or Event of Default other than a Default described in Section 12(e), (E) that the Lessor has valid and legal title to, and is the owner of, such Substitute Equipment free and clear of all Liens other than Permitted Liens, and (F) that all necessary approvals, authorizations, consents, licenses, certificates and orders have been obtained, and such approvals, authorizations, consents, licenses, certificates or orders are in full force and effect and constitute sufficient authorization therefor;

(b) a bill of sale in form and substance reasonably satisfactory to the Lessor, containing full warranties as to title (original executed copy for the Lessor only);

(c) a Lease Supplement and a Trust Indenture Supplement in form and substance reasonably satisfactory to the Lessor and the Indenture Trustee;

(d) with respect to Destroyed Equipment, a certificate of an independent expert satisfactory to the Lessor stating (A) the fair market sales value, residual value and estimated useful life of the Destroyed Equipment immediately preceding the occurrence of the Event of Loss assuming that the Destroyed Equipment at that time had been maintained in the condition and repair required by this Lease and (B) the fair market sales value, residual value and estimated useful life of the Substitute Equipment;

(e) an opinion of counsel of the Lessee reasonably satisfactory to the Lessor (and, so long as any Notes are outstanding, the Indenture Trustee) with respect to such bill of sale, Lease Supplement and Trust Indenture Supplement and, if the Indenture is not then defeased, the Lien of the Indenture, such opinion in each case to be in form and substance reasonably satisfactory to the Lessor;

(f) a written report of an insurance broker confirming the maintenance of insurance with respect to the Substitute Equipment sufficient to comply with Article 9;

(g) an assignment to the Lessor of all assignable rights, warranties and representations with respect to the Substitute Equipment; and

(h) filings with respect to the Substitute Equipment of the type required by Section 8.1(b) of the Participation Agreement.

10.3. Application of Payments from Governmental Authorities for Requisition of Title. Any payments (other than insurance proceeds the application of which is provided for in Article 9) received at any time by the Lessor or the Lessee from any governmental authority or other Person with respect to an Event of Loss resulting from the condemnation, confiscation, theft, disappearance or seizure of, or requisition of title to or use of any item of Equipment shall be applied as follows:

(a) unless such items of Equipment are replaced pursuant to Section 10.1(b), so much of such payments as shall not exceed the amounts due under clauses (i) and (ii) of Section 10.1(a) shall be applied in reduction of the Lessee's obligation to pay such amounts, if not already paid by the Lessee, or, if already paid by the Lessee, shall be applied to reimburse the Lessee for its payment of such amounts, and the balance, if any, of such payment remaining thereafter will be paid over to or retained by the Lessor; provided that the Lessee shall be entitled to receive so much of such balance as the Lessee shall demonstrate to the Lessor's reasonable satisfaction is allocable to loss of the Lessee's interest hereunder in such items of Equipment; or

(b) if such items of Equipment are replaced pursuant to Section 10.1(b), such payments shall be paid over to or retained by the Lessee, provided that the Lessee shall have fully performed or, concurrently therewith will fully perform, the terms of Section 10.1(b).

Nothing in (a) or (b) above shall be construed to provide any payment to the Lessee until all liabilities arising under the tax indemnity provisions of the Participation Agreement and the Tax Indemnity Agreement associated therewith have been paid to Lessor.

10.4. Application of Payments During Existence of Event of Default. Any amount referred to in Section 10.3 which is payable to the Lessee shall not be paid to the Lessee, or, if it has previously been paid to the Lessee, shall not be retained by the Lessee, if at the time of such payment a Default or an Event of Default shall have occurred and be continuing. In such event all such amounts shall be paid to

and held by the Lessor as security for the obligations of the Lessee to make payments under the Participation Agreement or to pay Rent hereunder or, at the Lessor's option, applied by the Lessor toward payment of any of such obligations of the Lessee at the time due hereunder or under the Participation Agreement as the Lessor may elect. At such time as there shall not be continuing any Event of Default or Default, all such amounts at the time held by the Lessor in excess of the amount, if any, which the Lessor shall have elected to apply as above provided shall be paid to the Lessee.

ARTICLE 11

ASSIGNMENTS

As provided in the Participation Agreement, the Lessor will assign, and create a security interest in, all of its rights hereunder as provided in the Indenture to, and for the benefit of, the Indenture Trustee. Except as contemplated by the Participation Agreement or the Indenture, this Lease shall not be assignable in whole or in part by the Lessor to any Person other than the Indenture Trustee without the consent of the Lessee (which consent shall not be unreasonably withheld) and the Indenture Trustee; provided, that, in each case where this Lease is assigned, the transferee shall be domiciled in the United States and shall assume all of the obligations of Lessor under this Lease. To the extent, if any, that this Lease constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in this Lease may be created through the Transfer or possession of any counterpart other than the original executed counterpart, which shall be identified as the counterpart containing the receipt therefor executed by the Indenture Trustee on the signature page thereof.

ARTICLE 12

EVENTS OF DEFAULT

The following events shall constitute Events of Default (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- (a) any payment of Interim Rent, Basic Rent, Renewal Rent or Stipulated Loss Value shall not be paid by the Lessee within 10 days after the same shall become due; or

(b) any other payment of Rent shall not be paid by the Lessee within 15 days after the same shall become due; or

(c) any indemnity payment to the Lessor, the Indenture Trustee or any Participant in accordance with Section 8.2 or 8.3 of the Participation Agreement or the Tax Indemnity Agreement shall not be paid by the Lessee when due and such nonpayment shall continue unremedied for a period of 30 days after written notice thereof by the Lessor or, so long as Notes shall be outstanding, the Indenture Trustee, to the Lessee; or

(d) insurance on the Equipment shall not be carried or maintained in compliance with the provisions of Article 9 or such insurance is cancelled (and not previously or contemporaneously replaced) for any reason whatsoever, or the Equipment shall be operated or located in any area or on any route or in any manner excluded from coverage by any insurance required by the terms of Article 9; or

(e) the Lessee shall fail to perform or observe any other covenant or agreement to be performed or observed by it hereunder and any such failure shall continue unremedied for a period of 30 days after written notice thereof to Lessee by Lessor or, so long as Notes shall be outstanding, the Indenture Trustee, provided, that if such failure can be remedied but not within such 30-day period and the Lessee is taking all such action as the Lessor and the Indenture Trustee deem appropriate and necessary to remedy such failure, such period shall be extended for such longer period as may be reasonably necessary up to an additional 90 days; or

(f) any representation or warranty made by the Lessee herein, in the Participation Agreement, in any other Operative Document (excluding only the Tax Indemnity Agreement), the Warranty Bill of Sale or agreement entered into by it in connection with the Overall Transaction or in any document or certificate furnished by the Lessee pursuant to any such agreements, documents or certificates shall prove to be incorrect as of the date made in any material respect and, except in the case of representations or warranties made as of the Delivery Date, the condition which made such representation or warranty incorrect if remediable shall continue unremedied for a period of 30 days after written notice thereof by the Lessor or, so long as Notes shall be outstanding, the Indenture Trustee to the Lessee; or

(g) a receiver, liquidator or trustee for the Lessee or for all or substantially all of the properties or assets of the Lessee shall be appointed by court or governmental order and such order shall remain in effect for more than 90 days; or

(h) the Lessee shall file a petition in voluntary bankruptcy or the Lessee shall otherwise request protection under any provision of any bankruptcy or insolvency law (as now or hereafter in effect), or expressly consent to the filing of any petition against it under any such law, or make an assignment for the benefit of its creditors, or expressly consent to the appointment of a receiver, trustee or liquidator of it or of all or substantially all of its properties or assets; or

(i) a petition against the Lessee in a proceeding or case under any bankruptcy laws or other insolvency laws (as now or hereafter in effect) shall be filed and shall not be withdrawn or dismissed within 90 days thereafter, or, in case the approval of such petition by a court of competent jurisdiction is required, the petition as filed or amended shall be approved by such a court as properly filed and such approval shall not be withdrawn or the proceeding dismissed within 90 days thereafter, or a decree or order for relief in respect of the Lessee shall be entered by a court of competent jurisdiction in an involuntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other similar law, as now or hereafter constituted, and such decree or order shall remain in effect and unstayed for a period of 90 days, or if, under the provisions of any law providing for reorganization or winding-up of corporations which may apply to the Lessee, any court of competent jurisdiction shall assume jurisdiction, custody or control of the Lessee or of any substantial part of its property and such jurisdiction, custody or control shall remain in force unrelinquished, unstayed or unterminated for a period of 60 days; or

(j) final judgment for the payment of money in excess of \$10,000,000 or final judgments which in the aggregate exceed \$25,000,000 shall be rendered against the Lessee and the same shall remain undischarged for a period of 90 days during which execution of such judgment shall not be effectively stayed; or

(k) if for any reason any material provision of this Lease Agreement or the Participation Agreement obligating the Lessee shall not be in full force and effect in accordance with its terms or shall cease to be the lawful, valid and binding obligations of the Lessee; or

(1) if for any reason the Contract for Financial Assistance shall cease to be the lawful, valid and binding obligation of the Commonwealth, the benefits to the Lessor contemplated thereunder cease to be effective, or the Contract Assistance Provisions (as defined in Section 8.7) are substantially amended, modified or repudiated by the Commonwealth so as to materially adversely affect the benefits the Lessor derives from such Contract Assistance Provisions.

For purposes of Section 12(e), a failure to perform or observe a covenant or agreement is capable of being remedied if, in the reasonable opinion of the Lessor and, so long as the Notes shall be outstanding, the Indenture Trustee, the condition that caused such failure can be removed or rectified, compliance with the covenant or agreement can be effected and any adverse consequences caused by such failure can be cured to the reasonable satisfaction of each Person entitled to enforce such covenant or agreement. For purposes of Section 12(f), an incorrect representation or warranty is capable of being remedied if the condition that made the representation or warranty incorrect can, in the reasonable opinion of the Lessor and, so long as the Notes are outstanding, the Indenture Trustee, be removed or rectified.

ARTICLE 13

REMEDIES

Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing, the Lessor may, at its option, declare by notice to the Lessee this Lease Agreement to be in default, and at any time thereafter so long as all outstanding Events of Default shall not have been remedied the Lessor may, in addition to any other remedies provided herein, exercise any one or more of the following remedies with respect to any or all of the Equipment as the Lessor in its sole discretion shall elect (subject to the penultimate paragraph of this Article 13):

(a) The Lessor, by notice to the Lessee specifying a payment date not earlier than 10 days, and not more than 30 days, from the date of such notice, may require the Lessee to pay to the Lessor, and the Lessee hereby agrees that it will pay to the Lessor, on the payment date specified in such notice, as liquidated damages for loss of a bargain, and not as a penalty, and in lieu of any further payments of Interim Rent, Basic Rent and, if applicable, Renewal Rent hereunder, an amount equal to the sum of (i) all unpaid Interim Rent, Basic Rent and, if applicable, Renewal Rent payable on each Rent Payment Date occurring on or

before the Stipulated Loss Payment Date next following the Payment Date specified in such notice, plus (ii) an amount equal to the Stipulated Loss Value for any or all of the Equipment as the Lessor in its sole discretion shall elect calculated as of the Stipulated Loss Value Date next following the payment date specified in such notice (unless such payment date shall be a Stipulated Loss Value Date, in which case Stipulated Loss Value shall be computed as of such Stipulated Loss Value Date), plus (iii) interest, from the date due until the date paid, at the Overdue Interest Rate on any payment of Rent or Stipulated Loss Value not paid when due in accordance with clause (i) or (ii) of this paragraph (a); and upon such payment of liquidated damages and all other amounts then due and payable by the Lessee hereunder or under the Participation Agreement or any other Operative Document, the Lessor shall Transfer such Equipment to the Lessee and the Lessor shall execute and deliver such documents evidencing such transfer as the Lessee shall reasonably request.

(b) Upon demand, the Lessor may cause the Lessee at the Lessee's expense to, and the Lessee hereby agrees that it will, promptly redeliver or cause to be redelivered, the Equipment to the Lessor with all reasonable dispatch and in the same manner and in the same condition as if the Equipment were being redelivered at the expiration of the Lease Term in accordance with all of the provisions of Section 2.2, and all the provisions of said Section shall apply to such redelivery; or the Lessor or its agent, at the Lessor's option, without further notice, may, but shall be under no obligation to, retake the Equipment wheresoever found and irrespective of whether the Lessee or any other Person may be in possession of the Equipment, all without prior demand and without legal process, and for that purpose the Lessor or its agent may enter any place where the Equipment may be and may take possession thereof, without the Lessor or its agent incurring any liability by reason of such retaking or otherwise.

(c) The Lessor or its agent may sell the Equipment at public or private sale, as the Lessor may determine, or otherwise may dispose of, hold, use, operate, lease (whether for a period greater or less than the balance of what would have been the Basic Term or the Renewal Term, if applicable, as the case may be) to others or keep idle the Equipment, all on such terms and conditions and at such place or places as the Lessor may determine and all free and clear of any rights of the Lessee and of any claim of the Lessee, in equity, at law or by statute, whether for loss or damage or otherwise, and without any duty to account to the Lessee, provided, that (i) if the Lessor or

its agent shall sell the Equipment, the Lessee's obligation to pay Interim Rent, Basic Rent and Renewal Rent with respect to the Equipment for any period after the date of such sale shall terminate and the Equipment shall cease to be subject to this Lease from and after the date of such sale, and (ii) the Lessee's obligation to pay Interim Rent, Basic Rent and Renewal Rent for any period after the Lessee shall have been deprived of possession of the Equipment pursuant to this Article 13 shall be reduced by the net proceeds, if any, received by the Lessor from leasing the Equipment to, or otherwise permitting its use by, any Person other than the Lessee for all or any portion of such period. In the event the Lessor shall have sold the Equipment pursuant to this Section 13(c) (and prior thereto shall not have exercised its rights under Section 13(d)), the Lessor may demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor, as liquidated damages for the loss of a bargain and not as a penalty, on the Stipulated Loss Value Date next following such sale, any unpaid Interim Rent, Basic Rent and Renewal Rent due on or before such Stipulated Loss Value Date plus the amount of any difference between the net proceeds of such sale paid to the Lessor and the Stipulated Loss Value, computed as of such Stipulated Loss Value Date, unless such sale occurs on a Stipulated Loss Value Date, in which case Stipulated Loss Value shall be computed as of such Stipulated Loss Value Date. Such payment shall be in lieu of all Interim Rent, Basic Rent and Renewal Rent due after such Stipulated Loss Value Date.

(d) Whether or not the Lessor shall have exercised, or shall thereafter at any time exercise, any of its rights under Sections 13(b) or 13(c) (other than a sale under Section 13(c)), the Lessor may, at any time prior to the time that the Equipment shall have been sold by the Lessor pursuant to Section 13(c), by written notice to the Lessee requesting that the fair market sales value (as that term is defined in Section 2.4) of the Equipment be determined, demand that the Lessee pay to the Lessor, and the Lessee shall pay to the Lessor on the first Rent Payment Date occurring at least 10 days after the determination of such fair market sales value (herein called the "Designated Payment Date"), as liquidated damages for loss of a bargain and not as a penalty (in lieu of all payments of Interim Rent, Basic Rent or Renewal Rent becoming due after the Designated Payment Date), any unpaid Interim Rent, Basic Rent or Renewal Rent due on or before the Designated Payment Date plus an amount equal to the excess, if any, of the Stipulated Loss Value for the Equipment as of the Designated Payment Date over the fair market sales value of

the Equipment (as defined in Section 2.4 and computed in accordance with Section 2.6 as of such date).

(e) The Lessor by written notice to the Lessee may (1) terminate this Lease without relieving the Lessee of its obligations hereunder as to the Equipment; (2) exercise any other right or remedy which may be available under Applicable Law; and/or (3) proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof.

In any and all events, the Lessee shall be liable for any and all Supplemental Rent payable hereunder and all amounts payable by the Lessee under the Participation Agreement before, during or after the exercise of any of the foregoing remedies and also for all legal fees and any other costs and expenses whatsoever incurred by the Lessor, the Indenture Trustee or the Noteholders by reason of the occurrence of any Event of Default or by reason of the exercise by the Lessor, the Indenture Trustee or the Noteholders of any remedy hereunder in connection with any Event of Default including, without limitation, any costs and expenses incurred by the Lessor, the Indenture Trustee or the Noteholders in connection with any retaking of the Equipment or, upon the redelivery or retaking of the Equipment in accordance with this Article 13, the placing of the Equipment in the condition required by and otherwise complying with the terms of Section 2.2.

No remedy referred to in this Article 13 is intended to be exclusive, but each shall be cumulative and is in addition to, and may be exercised concurrently with, any other remedy which is referred to in this Article 13 or which may otherwise be available to the Lessor at law or in equity. Subject to the payment in full of all of the Lessee's obligations under the Operative Documents, there shall be deducted from the aggregate amount recoverable by the Lessor pursuant to this Article 13 the net balance, if any, remaining of any monies held by the Lessor (or the Indenture Trustee) pursuant to Sections 9.5 and 10.4 which would have been required by the terms of this Lease to have been paid to the Lessee but for the occurrence of an Event of Default. No express or implied waiver by the Lessor of any Event of Default shall in any way be, or be construed to be, a waiver of any further or subsequent Event of Default.

At any public or private sale of an item of Equipment pursuant to this Article 13, the Lessee or any Participant may bid for and purchase such property. The Lessor agrees to give the Lessee at least 15 days' prior written notice of the date fixed for any public sale of an item of Equipment or of the date on or after which will occur any private sale or on or after which will occur the execution of any contract providing

for any private sale and such sale shall be conducted in general so as to afford the Lessee and the Participants a reasonable opportunity to bid.

ARTICLE 14

INSPECTION; NOTICE OF DEFAULT; RECORDATION

14.1. Inspection. At all reasonable times during the continuation of this Lease, the Lessee shall furnish to the Lessor and (so long as Notes shall be outstanding) the Indenture Trustee and the Noteholders such additional information concerning the location, condition, use and operation of the Equipment as such Person may reasonably request. Additionally, the Lessee shall permit the authorized representatives of the Lessor and (so long as Notes shall be outstanding) the Indenture Trustee and the Noteholders: (a) at such Person's expense (unless a Default shall have occurred and be continuing, in which case, at the Lessee's expense), to visit and inspect any item of Equipment, its condition, use and operation and the inspection, maintenance, modification, overhaul and other records maintained in connection therewith; and (b) to discuss the finances and accounts of the Lessee, as the same may affect the performance by the Lessee of its obligations hereunder, with the financial officers and the independent accountants of the Lessee, provided that such visits, inspections and discussions do not unreasonably interfere with the operations of the Lessee and are done at such reasonable times as such Person may request, except that Lessee shall in any event make such Equipment and records available for inspection within five Business Days of the Lessor's request. Neither the Lessor, the Indenture Trustee nor the other Participants shall have any duty to make any such inspection nor shall any of them incur any liability or obligation by reason of making or not making any such inspection.

14.2. Notice of Event of Default. Promptly after Lessee has Actual Knowledge of the occurrence or existence of a Default or an Event of Default, the Lessee shall so notify the Lessor and (so long as Notes shall be outstanding) the Indenture Trustee and each Participant, which notice shall set forth in reasonable detail the circumstances surrounding such Event of Default or Default and shall specify what actions the Lessee intends to take to cure such Event of Default or such Default. The Lessee shall furnish the Lessor and (so long as Notes shall be outstanding) the Indenture Trustee within 60 days after the end of the sixth month of and the close of each fiscal year of the Lessee an Officer's Certificate stating that no Event of Default or Default has occurred during such six-month period and is continuing as of the date of such

certificate, or if any such Event of Default or Default shall have occurred and be continuing, setting forth in reasonable detail the circumstances surrounding each such Event of Default or Default.

14.3. Recordation. Forthwith upon the execution and delivery of a Lease Supplement and of a Trust Indenture Supplement, the Lessee will cooperate with the Lessor to cause such Supplements to be duly filed and recorded as directed by the Lessor and the Indenture Trustee and will also cooperate with the Lessor to cause this Lease Agreement and the Indenture to be duly filed and recorded as directed by the Lessor and the Indenture Trustee, in each case as may be required by Applicable Law.

ARTICLE 15

NOTICES

All notices, requests, consents, approvals, elections, demands and other communications required under the terms and provisions hereof shall be in writing and shall be deemed to have been sufficiently given for all purposes when delivered in hand or received by certified mail, return receipt requested, postage prepaid, or by confirmed telex or other writing transmitted by means of a telecommunications device, addressed as follows: (i) if to the Lessor, at Four Embarcadero Center, Suite 1200, San Francisco, CA 94111, Attention: Manager, Operations Department-LEV., (ii) if to the Lessee, at Ten Park Plaza, Boston, MA 02116, Attention: Treasurer-Controller, (iii) if to the Indenture Trustee, at Rodney Square North, Wilmington, Delaware 19890, Attention: Corporate Trust Administration; (iv) if to any Participant, at its address set forth in or pursuant to the Participation Agreement, and (v) to any of the foregoing Persons at such other address as such Person may from time to time designate in writing to the other Persons in the manner herein provided.

ARTICLE 16

CONSTRUCTION AND GOVERNING LAWS

Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. This

Lease shall constitute an agreement of lease, and nothing herein shall be construed as conveying to the Lessee any right, title or interest in any item of Equipment, except as a lessee only. The section and paragraph headings in this Lease and the table of contents are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof. All references herein to numbered sections, exhibits and schedules, unless otherwise indicated, are to sections, exhibits or schedules, as the case may be, of or to this Lease.

This Lease has been delivered in the Commonwealth and shall be governed by, and construed in accordance with, the laws of the Commonwealth, including, without limitation, all matters of construction, validity and performance.

ARTICLE 17

LESSOR'S RIGHT TO TAKE EQUIPMENT

Without in any way limiting the obligations of the Lessee hereunder, the Lessee hereby irrevocably appoints the Lessor as its agent and attorney, with full power and authority at the time at which the Lessee is obligated to deliver possession of any item of Equipment to the Lessor, to demand and take possession of such item of Equipment in the name and on behalf of the Lessee from whosoever shall be at the time in possession thereof.

ARTICLE 18

COVENANT OF QUIET ENJOYMENT

So long as no Event of Default shall have occurred and be continuing, the Lessor covenants that it will not interfere with the peaceful and quiet occupation and enjoyment of each item of Equipment by the Lessee.

ARTICLE 19

LESSOR LIENS

The Lessor agrees that it will not directly or indirectly create, incur, assume or suffer to exist any Lessor Lien on or with respect to any item of Equipment.

ARTICLE 20

PERFORMANCE OF LESSEE

The Lessee agrees to perform all of its obligations under all of the Operative Documents to which it is a party.

ARTICLE 21

AMENDMENTS; MISCELLANEOUS

21.1. Amendments and Waivers. Neither the terms of this Lease nor the definition of any capitalized term used herein which is defined in, or by reference in, Schedule X, as such capitalized term is used herein, shall be altered, modified, amended or supplemented, nor shall this Lease or any other terms hereof be waived or terminated, in any manner whatsoever except by written instrument signed by the party against which the enforcement of such alteration, modification, amendment, supplement, waiver or termination is sought and, so long as any Notes are outstanding, the Indenture Trustee; nor, so long as any Notes are outstanding, shall any remedy or election be exercised hereunder nor any consent given hereunder without the written consent of the Indenture Trustee. No amendment to Schedule X attached hereto shall become effective until a corresponding amendment is made to Schedule X attached to the Indenture or until the parties to the Indenture shall have waived this condition in writing with respect to such amendment.

21.2. Investment of Security Funds. (intentionally omitted).

21.3. Binding Effect. This Lease shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

21.4. Money. All amounts and moneys referred to in this Lease shall be construed to mean Dollars.

21.5. Business Days. If any Rent Payment Date or any other date on which any payment is required to be made under this Lease shall not be a Business Day, such payment may be made on the next succeeding Business Day with the same force and effect as if made on such day, and no interest or Supplemental Rent shall accrue by reason of such deferral of payment.

21.6. Security for Lessor's Obligations to Holders of Notes. In order to secure the indebtedness evidenced by the Notes, the Lessor provides in the Indenture, among other things, for the assignment by the Lessor to the Indenture

Trustee of certain rights under this Lease and the Lease Supplements and for the creation of a first mortgage and security interest in favor of the Indenture Trustee on the Equipment. The Lessee acknowledges the existence of, approves of and consents to such assignment, and the Lessee acknowledges receipt of a copy of the Indenture.

21.7. Counterparts. This Lease may be executed in any number of counterparts and by any of the parties hereto on separate counterparts, all of which together shall constitute but one and the same instrument; provided however that only the original counterpart containing the receipt executed by the Indenture Trustee shall constitute the original executed copy hereof for purposes of perfecting a security interest herein.

21.8. No Recourse. In no case whatsoever shall the Lessor be personally liable on, or for any loss in respect of, any of the representations, warranties, agreements or obligations of the Lessor hereunder as to all of which the parties hereto agree to look solely to the Equipment and the Lease, except that the Lessor shall be personally liable to the extent specified in Section 10(b) of the Participation Agreement.

ARTICLE 22


FEES OF INDENTURE TRUSTEE

The Lessee will pay as Supplemental Rent the reasonable continuing fees and expenses (including, without limitation, counsel fees), to the extent not included in Transaction Costs, of the Indenture Trustee in connection with its services rendered under the Indenture as provided in Section 9(c) of the Participation Agreement.

IN WITNESS WHEREOF, the Lessor and the Lessee have each caused this Agreement to be duly executed, as a document under seal, as of the day and year first above written.

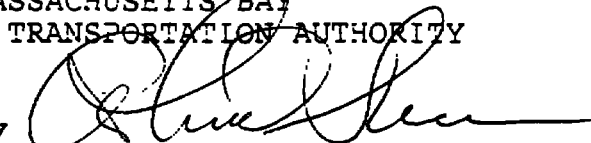
LESSOR:

SECURITY PACIFIC EQUIPMENT
LEASING, INC.

By 
Name: Marc L. Marker
Title: Secretary

LESSEE:

MASSACHUSETTS BAY
TRANSPORTATION AUTHORITY

By 
Arthur D. Shea
Acting Treasurer-Controller

Uniform Commercial Code Chattel Paper Receipt


Receipt of the original counterpart of the foregoing Lease is hereby acknowledged on this 31st day of December, 1987.

WILMINGTON TRUST COMPANY,
as Indenture Trustee,
Mortgagee

By _____
Name: _____
Title: _____

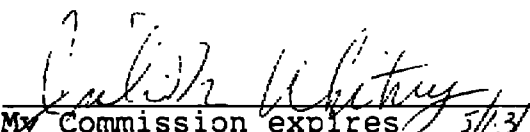
Commonwealth of Massachusetts)
) ss:
County of Suffolk)

On this 31st day of December, 1987, before me personally appeared, Marc L. Marker, to me personally known, who being by me duly sworn, says that he is the Secretary of Security Pacific Equipment Leasing, Inc., that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.


My Commission expires 5/13/94

Commonwealth of Massachusetts)
) ss:
County of Suffolk)

On this 31st day of December, 1987, before me personally appeared, Arthur D. Shea, to me personally known, who being by me duly sworn, says that he is the Acting Treasurer-Controller of Massachusetts Bay Transportation Authority, that said instrument was signed on behalf of said authority by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said authority.


My Commission expires 5/13/94

LEASE SUPPLEMENT NO. 1

This Lease Supplement No. 1 is dated December 31, 1987, and is between Security Pacific Equipment Leasing, Inc., a Delaware corporation (the "Lessor"), and Massachusetts Bay Transportation Authority, a body politic and corporate and a political subdivision of The Commonwealth of Massachusetts (the "Lessee").

The Lessor and the Lessee have heretofore entered into the Lease Agreement, dated as of December 30, 1987 (the "Lease Agreement" and defined terms therein being hereinafter used with the same meanings).

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, the Lessor and the Lessee hereto agree as follows:

1. The Lessor hereby delivers and leases to the Lessee under the Lease Agreement, and the Lessee hereby accepts and leases from the Lessor under the Lease Agreement, the items of Equipment described in the attached Annex 1.
2. The Lessee hereby confirms its agreement to pay the Lessor Interim Rent for such items of Equipment for the Interim Term and Basic Rent for such items of Equipment throughout the Basic Term in accordance with Article 8 of the Lease Agreement. Lessor's Purchase Price for such items of Equipment is \$31,297,000.
3. All of the terms and provisions of the Lease Agreement are hereby incorporated by reference in this Lease Supplement to the same extent as if fully set forth herein.
4. The Delivery Date of such items of Equipment is the date of this Lease Supplement.
5. The Interim Term for such items of Equipment shall commence on the Delivery Date thereof and shall terminate on January 29, 1988 and the Basic Term for such items of Equipment shall commence on January 30, 1988 and shall terminate on January 29, 2013.

6. This Lease Supplement is being delivered in The Commonwealth of Massachusetts and shall be governed by, and construed in accordance with, the laws of The Commonwealth of Massachusetts, including, without limitation, all matters of construction, validity and performance.


7. The Lessee hereby confirms to the Lessor that such items of Equipment have been duly marked in accordance with the terms of Section 4.1 of the Lease Agreement and that the Lessee has accepted such items of Equipment for all purposes hereof and of the Lease Agreement as being in accordance with specifications, in good working order and repair and without defect or inherent vice in title, condition, design, operation or fitness for use, whether or not discoverable by the Lessee as of the date hereof, and free and clear of all liens or encumbrances and claims of others except such liens and encumbrances which may result from claims against the Lessor not related to the ownership of such items of Equipment and except the first mortgage lien and security interest on such items of Equipment in favor of the Indenture Trustee created pursuant to the Indenture; provided, however, that nothing contained herein or in the Lease Agreement shall in any way diminish or otherwise affect any right the Lessee or the Lessor may have with respect to such items of Equipment against the Manufacturer or any subcontractor of the Manufacturer under the Purchase Agreement or the Purchase Agreement Assignment or otherwise.

8. The Lessee acknowledges the existence of, approves of and consents to the assignment by the Lessor to the Indenture Trustee of this Lease Supplement pursuant to the Indenture.

IN WITNESS WHEREOF, the Lessor and the Lessee have caused this Lease Supplement No. 1 to be duly executed, as a document under seal, as of the day and year first above written and to be delivered in The Commonwealth of Massachusetts.

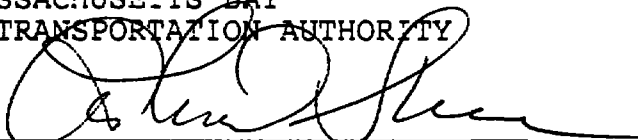
LESSOR:

SECURITY PACIFIC EQUIPMENT
LEASING, INC.

By 
Name: Marc L. Marker
Title: Secretary

LESSEE:

MASSACHUSETTS BAY
TRANSPORTATION AUTHORITY

By 
Name: Arthur D. Shea
Title: Acting Treasurer-
Controller

Uniform Commercial Code Chattel Paper Receipt

Receipt of the original counterpart of the foregoing Lease Supplement is hereby acknowledged on this 31st day of December, 1987.

WILMINGTON TRUST COMPANY,
as Indenture Trustee,
Mortgagee

By _____
Name:
Title:

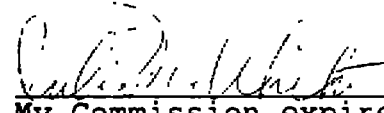
Commonwealth of Massachusetts)
County of Suffolk) ss:
)

On this 31st day of December, 1987, before me personally appeared, Marc L. Marker, to me personally known, who being by me duly sworn, says that he is the Secretary of Security Pacific Equipment Leasing, Inc., that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

My Commission expires _____

Commonwealth of Massachusetts)
County of Suffolk) ss:
)

On this 31st day of December, 1987, before me personally appeared, Arthur D. Shea, to me personally known, who being by me duly sworn, says that he is the Acting Treasurer-Controller of Massachusetts Bay Transportation Authority, that said instrument was signed on behalf of said authority by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said authority.


My Commission expires 5/13/94

Attachment: Annex 1

ANNEX 1

Thirty-four commuter rail coaches manufactured by Messerschmitt-Bolkow-Blohm GmbH (the "Manufacturer") pursuant to the Purchase Agreement; dated August 27, 1985, as amended, between the Manufacturer and Massachusetts Bay Transportation Authority ("MBTA"), identified by MBTA and Manufacturer vehicle identification numbers and having the cost more particularly described as follows:

<u>MBTA Identification Number</u>	<u>Manufacturer s Identification Number</u>	<u>Unit Type</u>	<u>Cost</u>
1500	02091	CTC-3	\$ 992,000
500	02108	BTC-3	849,000
1501	02092	CTC-3	992,000
501	02109	BTC-3	849,000
1502	02093	CTC-3	992,000
502	02110	BTC-3	849,000
1503	02094	CTC-3	992,000
503	02111	BTC-3	849,000
1504	02095	CTC-3	992,000
504	02112	BTC-3	849,000
1505	02096	CTC-3	992,000
505	02113	BTC-3	849,000
1506	02097	CTC-3	992,000
506	02114	BTC-3	849,000
1507	02098	CTC-3	992,000
507	02115	BTC-3	849,000
1508	02099	CTC-3	992,000
508	02116	BTC-3	849,000
1509	02100	CTC-3	992,000
509	02117	BTC-3	849,000
1510	02101	CTC-3	992,000
510	02118	BTC-3	849,000
1511	02102	CTC-3	992,000
511	02119	BTC-3	849,000
1512	02103	CTC-3	992,000
512	02120	BTC-3	849,000
1513	02104	CTC-3	992,000
513	02121	BTC-3	849,000
1514	02105	CTC-3	992,000
514	02122	BTC-3	849,000
1515	02106	BTC-3	849,000
515	02123	CTC-3	992,000
1516	02107	BTC-3	849,000
516	02124	CTC-3	992,000
Total			<u>\$31,297,000</u>

Exhibit B
to Lease

STIPULATED LOSS VALUES

<u>Stipulated Loss Value Date</u>	<u>Stipulated Loss Value Percentage</u>	<u>Stipulated Loss Value Date</u>	<u>Stipulated Loss Value Percentage</u>
7/30/1988	105.58046	1/30/2001	86.25465
1/30/1989	105.90712	7/30/2001	86.49336
7/30/1989	107.28853	1/30/2002	81.66784
1/30/1990	107.06294	7/30/2002	81.91970
7/30/1990	107.99780	1/30/2003	76.84710
1/30/1991	107.18429	7/30/2003	77.14213
7/30/1991	107.63668	1/30/2004	71.80803
1/30/1992	106.18782	7/30/2004	72.12580
7/30/1992	106.25651	1/30/2005	66.51967
1/30/1993	104.56647	7/30/2005	66.93779
7/30/1993	104.66824	1/30/2006	61.04275
1/30/1994	102.83965	7/30/2006	61.72545
7/30/1994	102.96296	1/30/2007	55.52179
1/30/1995	100.98543	7/30/2007	56.48992
7/30/1995	101.14367	1/30/2008	49.97126
1/30/1996	99.01582	7/30/2008	51.27213
7/30/1996	99.18613	1/30/2009	44.43354
1/30/1997	96.91509	7/30/2009	46.12080
7/30/1997	97.10046	1/30/2010	38.95913
1/30/1998	94.67952	7/30/2010	40.79797
7/30/1998	94.88173	1/30/2011	33.32746
1/30/1999	92.30367	7/30/2011	34.81153
7/30/1999	92.52426	1/30/2012	27.05350
1/30/2000	89.78154	7/30/2012	28.23642
7/30/2000	90.02272	1/30/2013	20.16297

MBTA/MBB
Lease

Schedule 1
to Lease

Basic Rent

<u>Date</u>	<u>No.</u>	<u>Percentage Rate</u>	<u>Date</u>	<u>No.</u>	<u>Percentage Rate</u>
1/30/1988	0	0.7193268	7/30/2000	25	2.2944960
7/30/1988	1	3.2524263	1/30/2001	26	6.3374250
1/30/1989	2	4.5163027	7/30/2001	27	2.1843991
7/30/1989	3	3.1963417	1/30/2002	28	7.3107140
1/30/1990	4	4.5723872	7/30/2002	29	2.0521095
7/30/1990	5	3.1352797	1/30/2003	30	7.4430036
1/30/1991	6	4.6334492	7/30/2003	31	1.8968044
7/30/1991	7	3.0687985	1/30/2004	32	7.5983087
1/30/1992	8	4.6999305	7/30/2004	33	1.7453097
7/30/1992	9	2.9964170	1/30/2005	34	7.7498035
1/30/1993	10	4.7723120	7/30/2005	35	1.5514693
7/30/1993	11	2.9176116	1/30/2006	36	7.9436438
1/30/1994	12	4.8511173	7/30/2006	37	1.2678166
7/30/1994	13	2.8318123	1/30/2007	38	8.2272965
1/30/1995	14	4.9369166	7/30/2007	39	0.9589897
7/30/1995	15	2.7383983	1/30/2008	40	8.5361235
1/30/1996	16	5.0303306	7/30/2008	41	0.6227543
7/30/1996	17	2.6574941	1/30/2009	42	8.8723588
1/30/1997	18	5.1112349	7/30/2009	43	0.2566781
7/30/1997	19	2.5735291	1/30/2010	44	9.2384350
1/30/1998	20	5.1951998	7/30/2010	45	0.0000000
7/30/1998	21	2.4851593	1/30/2011	46	9.4951131
1/30/1999	22	5.2835697	7/30/2011	47	0.0000000
7/30/1999	23	2.3921572	1/30/2012	48	9.4951131
1/30/2000	24	5.3765717	7/30/2012	49	0.0000000
			1/30/2013	50	9.4951131
Totals					216.5173524

VS-0971/d

SCHEDULE X

SCHEDULE X

The following terms shall have the respective meanings set forth below:

"Actual Knowledge" means (a) with respect to the Lessee, actual knowledge of its Chairman, General Manager, Treasurer-Controller, or Director of Railroad Operations and (b) with respect to the Owner, actual knowledge of the President, any Vice President, Treasurer, Secretary and any Contract Administrator (whether or not any such title is preceded by any modifier such as Assistant). "Actual Knowledge" shall be deemed to exist following receipt of written notice of a fact, event, condition or other circumstance by any such Person.

"Additional Investment" has the meaning specified in Section 8.1 of the Lease.

"Additions" has the meaning specified in Article 6 of the Lease.

"Affiliate", of any Person, means any other Person controlling, controlled by or under direct or indirect common control with such Person. For the purposes of this definition, "control", when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"After-tax Basis," or "after tax basis," or similar term, means, when used with respect to the payment of any amount and a requirement or contemplation that a gross amount paid shall produce a net amount received and retained by the recipient after payment or proper provision for Taxes and any other taxes imposed on the disbursement or receipt of such gross amount, that gross amount which, after deduction of all Taxes and any other taxes imposed by any jurisdiction or other taxing authority upon or measured by, or otherwise resulting from, the disbursement or receipt of such gross amount or any part thereof, will provide such net amount to the recipient, free of all Taxes and taxes.

"Applicable Law" means all applicable laws, treaties, judgments, decrees, injunctions, writs and other orders of any court, governmental agency or authority and rules, regulations, orders, directives, licenses and permits of any governmental body, instrumentality, agency or authority and, with respect to the Equipment shall include the rules in effect from time to time of the American Association of Railroads.

'Authorized Investments' means (a) readily marketable obligations of, or fully and unconditionally guaranteed (as to both principal and interest) by, the United States of America and having a maturity not in excess of one Business Day from the date of acquisition thereof; (b) certificates of deposit (having a maturity not in excess of 30 days from the date of acquisition thereof) evidencing direct obligations of any commercial bank or trust company organized in the United States of America and having capital, surplus and undivided profits of at least \$1,000,000,000; and (c) so-called money market funds, banker's acceptances or similar obligations (having a maturity not in excess of 30 days) issued by the Indenture Trustee.

"Base Rate" means the interest rate per annum announced and made effective from time to time by Security Pacific National Bank, at its principal office in Los Angeles, California, as the prime rate or, as the case may be, the base, reference or other similar rate then designated by it for general commercial lending reference purposes, it being understood that such rate is a reference rate, not necessarily the lowest, which serves as the basis upon which effective rates of interest are calculated for obligations making reference thereto.

"Basic Rent" means the rent payable for the Equipment with respect to the Basic Term pursuant to and as defined in Section 8.1 of the Lease, subject to adjustments as provided in Sections 8.1, 8.5 and 8.6 of the Lease and Section 8.9 of the Participation Agreement and in the Tax Indemnity Agreement.

"Basic Term" means the period beginning on January 30, 1988 and ending January 29, 2013 or such earlier date as the Lease shall be terminated as provided therein.

"Board" means the Board of Directors of the Lessee.

"Board Resolution" means a resolution of the Board certified by the Secretary or Assistant Secretary of the Lessee to have been duly adopted by the Board and to be in full force and effect on the date of such certification.

"Business Day" means any day other than a Saturday or a Sunday or a day on which commercial banking institutions in the City of Boston, Massachusetts, San Francisco, California, or (so long as Notes shall be outstanding) the City of Wilmington, Delaware are authorized by law to be closed. Any reference herein to "days" (unless Business Days are specified) shall mean calendar days.

"Code" means the Internal Revenue Code of 1986, as from time to time amended, and any redesignated or successor provisions, except that references to Section 168 and Section 103

of the Code shall refer to such provisions of the Internal Revenue Code of 1954 as amended by the Tax Equity and Fiscal Responsibility Act of 1982 as continue to apply to the determination of certain of the Owner's Tax Benefits as a consequence of the provisions of Section 31(g)(5) of the Deficit Reduction Act of 1984 and Section 204(a)(4) of the Tax Reform Act of 1986.

"Commitment", of each Participant, means the amount set forth opposite such Participant's name in Schedule 1 to the Participation Agreement in the column relating to "Commitments".

"Commonwealth" means The Commonwealth of Massachusetts.

"Consent and Agreement of Lessee" means the Consent and Agreement of the Lessee, dated as of the Delivery Date, between the Owner and the Lessee, as such Consent and Agreement of Lessee may from time to time be amended, modified or supplemented in accordance with the terms thereof.

"Contract Assistance Provisions" has the meaning specified in Section 8.7 of the Lease.

"Contract for Financial Assistance" means an agreement between the Lessee and the Commonwealth, with respect to the Participation Agreement and the transactions contemplated thereby, in the form of Exhibit C to the Participation Agreement or in such other form as may be satisfactory to the Participants, as it may from time to time be supplemented, amended or modified in accordance with its terms.

"Cost Recovery Deductions" has the meaning specified in Section 2 of the Tax Indemnity Agreement.

"Default" means an event or condition which, with the giving of notice or lapse of time or both, would constitute an Event of Default.

"Delivery Date", means December 30, 1987 unless postponed to December 31, 1987 pursuant to Section 2.2(c) of the Participation Agreement.

"Designated Payment Date" has the meaning specified in Section 13(d) of the Lease.

"Destroyed Equipment" has the meaning specified in Section 10.1(b) of the Lease.

"Dollars" or "\$" means lawful currency of the United States of America.

"Equipment" means: 34 Messerschmitt-Bolkow-Blohm commuter rail coaches (or so many thereof as shall have been delivered to and accepted by the Owner on or before the Delivery Date) manufactured by the Manufacturer and sold to the Lessee pursuant to the Purchase Agreement, and to be sold by the Lessee to the Owner and then leased by the Owner to the Lessee under the Lease and Lease Supplements, such commuter rail coaches to have the Lessee's and Manufacturer's serial numbers specified in such Lease Supplements, together with Parts; and any commuter coach(es), parts or other items of Equipment which may from time to time be substituted for any commuter rail coach(es) or other items of Equipment pursuant to Section 10.1(b) of the Lease. An "item of Equipment" means any one or more such commuter rail coaches or Parts, as the context may require.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Events of Acceleration" means the events specified in Section 11.01 of the Indenture.

"Events of Default" has the meaning specified in Article 12 of the Lease.

"Event of Loss", with respect to any item of Equipment, means any of the following events with respect to such item of Equipment: (a) the loss of such item of Equipment or of the use thereof due to the destruction of, or damage beyond repair to such item of Equipment which (in the good faith and reasonable opinion of the Lessee) renders it permanently unfit for normal use by the Lessee for any reason whatsoever, such determination to be made promptly after the occurrence of such event and to be evidenced by an Officer's Certificate of the Lessee delivered to the Owner and the Indenture Trustee; (b) the loss of the use for 180 consecutive days or more of such item of Equipment due to wear or damage which in the good faith and reasonable opinion of the Lessee can and will be repaired; (c) any damage to such item of Equipment which results in an insurance settlement with respect to such item of Equipment on the basis of a total loss or a constructive or compromised total loss; (d) the requisition of title to or the loss of title to such item of Equipment; (e) the confiscation, condemnation or seizure of, or the requisition for use of, such item of Equipment which shall have resulted in the loss of possession of such item of Equipment for 180 consecutive days or more; or (f) the theft or disappearance of such item of Equipment which shall have resulted in the loss of possession of such item of Equipment by the Lessee for 60 consecutive days or more.

'Excepted Rights' means the non-exclusive rights of the Lessor to obtain relief and recovery from and to pursue and enforce against the Lessee the remedies enumerated in clauses (2) and (3) of Article 13(e) of the Lease, at law, in equity and/or in bankruptcy or any insolvency proceeding, including without limitation, madamus proceedings, together with any action in the nature of declaratory relief to construe the terms of the Operative Documents as they affect the relative rights of the Lessor and Lessee only and/or any laws or statutes with respect to the Overall Transaction as they affect the relative rights of the Lessor and the Lessee only with respect to the payment of damages, costs and indemnities due the Lessor under the Lease, the Participation Agreement, including without limitation to Section 8.2 and 8.3 thereof, and/or the Tax Indemnity Agreement, and to require the Lessee specifically to perform all of its obligations under the Operative Documents. Notwithstanding the foregoing, Excepted Rights shall not be deemed to preclude the simultaneous exercise of such rights by the Indenture Trustee and/or the Noteholders against the Lessee, and shall not be exercisable by Lessor in a manner inconsistent with the right of the Indenture Trustee to pursue and enforce its rights as the full assignee of the Lease pursuant to the terms of the Indenture.

"Excluded Payments" means (a) indemnity payments (i) paid or payable by the Lessee to or on behalf of the Owner as Rent (specifically including any Rent or other payment required to be paid by the Lessee to the Owner pursuant to Sections 8.2 or 8.3 of the Participation Agreement and any amounts required to be paid by the Lessee to the Owner pursuant to the Tax Indemnity Agreement) or (ii) paid or payable by the Owner or the Lessee to the Indenture Trustee in its individual capacity under the Lease, the Indenture or the Participation Agreement, (b) proceeds of public liability insurance in respect of the Equipment payable to the Indenture Trustee as a result of insurance claims paid, or losses suffered, by the Indenture Trustee in its individual capacity, (c) adjustments to Basic Rent and Stipulated Loss Value as a result of an Additional Investment pursuant to Section 8.1 of the Lease to reflect certain Transaction Costs and (d) amounts payable pursuant to Section 3(d)(iv) of the Purchase Agreement Assignment.

"Execution Date" means December 30, 1987.

"Funding Date" means the Delivery Date.

"Indemnified Persons" means the Indenture Trustee (in its individual and fiduciary capacities), the Indenture Estate, the Owner, and each holder of a Lender Note and their respective successors, assigns, agents, partners and the servants and employees of each thereof.

'Indemnitees' has the meaning specified in Section 10(b) of the Participation Agreement.

'Indenture' means the Trust Indenture and Security Agreement, dated as of the Execution Date, between the Owner and the Indenture Trustee, substantially in the form of Exhibit B to the Participation Agreement, as such Trust Indenture and Security Agreement may from time to time be supplemented, amended or modified in accordance with the terms thereof, including, without limitation, supplementation thereof by one or more Trust Indenture Supplements.

"Indenture Estate" means the property granted to the Indenture Trustee pursuant to the Granting Clause of the Indenture (but excluding from the Indenture Estate all Excluded Payments and Excepted Rights).

"Indenture Trustee" means Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity (except as set forth in the Participation Agreement) but solely as indenture trustee under the Indenture, and, to the extent permitted by the Indenture, its successors and assigns.

"Interim Rent" means the Rent payable pursuant to Section 8.1(a)(1) of the Lease.

"Interim Term" means the period commencing on the Delivery Date and expiring on January 29, 1988.

"Interest Deductions" has the meaning specified in Section 2 of the Tax Indemnity Agreement.

"Investment Grade" means, as to the Lessee's long-term, unsecured tax-exempt debt, those obligations which are rated Baa or higher by Moody's or BBB or higher by S&P. For purposes of this definition, 'Moody's' means Moody's Investors Service, Inc., a Delaware corporation, its successors and assigns; and S&P means Standard & Poor's Corporation, a New York corporation, its successors and assigns. If either Moody's or S&P shall for any reason no longer perform the functions of a securities rating agency, "Moody's" or "S&P", as the case may be, shall be deemed to refer to any other nationally recognized rating agency designated by the Lessee and satisfactory to the Lessor and in such event the rating by such agency shall be equivalent to Baa or higher by Moody's or BBB or higher by S&P.

"Lease" means the Lease Agreement, dated as of the Delivery Date, between the Owner, as lessor, and the Lessee, as lessee, substantially in the form of Exhibit A to the Participation Agreement, as such Lease Agreement may from time to time be

amended, modified or supplemented in accordance with the terms thereof and of the Indenture, including, without limitation, supplementation thereof by one or more Lease Supplements entered into pursuant to the applicable provisions thereof.

"Lease Supplement" means a Lease Supplement, dated as of the Delivery Date, between the Lessor and the Lessee, substantially in the form of Exhibit A to the Lease, with respect to the Lease Supplement delivered pursuant to Section 2.1 of the Lease, or in such form, with appropriate modification, with respect to a Lease Supplement delivered pursuant to any other provision of the Lease.

"Lease Term" means the term, including the Interim Term and any Renewal Term, if any, for which any item of the Equipment is leased under the Lease.

"Lender Notes" means the Notes.

"Lessee" means Massachusetts Bay Transportation Authority, a body politic and corporate and a political subdivision of the Commonwealth, and its successors and, to the extent permitted by the Lease, assigns.

"Lessee's Assignment" means the Lessee's Assignment, dated as of the Delivery Date, between the Owner and the Lessee, as such Lessee's Assignment may from time to time be amended, modified or supplemented in accordance with the terms thereof.

"Lessor" or "Owner" means Security Pacific Equipment Leasing, Inc., a Delaware corporation, its successors and permitted assigns.

"Lessor's Cost", as of any date means, with respect to any item of Equipment, the Lessor's Purchase Price thereof plus Transaction Costs, as such aggregate amount may be adjusted to reflect each Additional Investment or Reduced Investment pursuant to Section 8.1 of the Lease.

"Lessor Lien" or "Lessor's Liens" means any Lien or disposition of title which results from a claim against the Owner that is not a claim against the Lessee and either (a) results from claims against the Owner not related to the Overall Transaction, (b) results from an affirmative act of the Owner which is neither required or permitted to be taken by the Owner pursuant to a provision of any Operative Document nor consented to by the Lessee nor taken as a result of the occurrence and continuance of an Event of Default as permitted under the Lease, or (c) results from nonpayment by the Owner of any taxes imposed on such Person or the consolidated group of taxpayers of which such Person is a part which the Lessee is not required

to indemnify against pursuant to any of the Operative Documents or is so required and has made such indemnification payment.

'Lessor's Purchase Price' means, with respect to any item of Equipment, the amount specified as such in the applicable Lease Supplement, being the sum of (a) an amount equal to the aggregate payments for such item of Equipment made to or on behalf of the Lessee by the Owner pursuant to the Participation Agreement on or prior to the Delivery Date thereof, as specified in invoices and/or bills of sale, and (b) any taxes applicable to the purchase of such item of Equipment by the Owner which must be capitalized for Federal tax purposes, including, without limitation, sales, use, excise or similar taxes.

"Lien" means any mortgage, pledge, lien, charge, encumbrance, security interest or lease in the nature thereof (including any conditional sale agreement, equipment trust agreement or other title retention agreement).

"Majority Noteholders", as of a particular date of determination, means the Noteholders (other than the Owner, if a Noteholder) holding more than 50% in aggregate unpaid principal amount of all Lender Notes, if any, outstanding as of such date. If one or more but less than all of the Lender Notes are owned or controlled by the Owner (or an Affiliate thereof), then the other Noteholders who are not the Owner (or Affiliates thereof) shall have sole power to vote such Notes and to take other similar action with respect thereto (such power to be divided among such other Noteholders based on the respective unpaid aggregate principal amount of Notes held by each of them).

"Manufacturer" means Messerschmitt-Bolkow-Blohm GmbH, a German corporation, and its successors and assigns.

"Net Economic Return" has the meaning specified in Section 1 of the Tax Indemnity Agreement.

"Notes" means the Series A Notes and the Series B Notes.

"Noteholders" means the Original Noteholder (only so long as such Person is the registered holder of a Note) and each other holder from time to time of a Note.

"Obsolete Parts" has the meaning specified in Article 6 of the Lease.

"Officer's Certificate" means (a) with respect to the Lessee, a certificate executed on behalf of the Lessee by its duly authorized Chairman, General Manager, Treasurer-Controller

or General Counsel (or by any duly authorized person holding any such office in an "Acting" capacity), signing alone; (b) with respect to the Indenture Trustee, a certificate executed on behalf of the Indenture Trustee by its duly authorized Chairman, President, any Vice President, any Assistant Vice President, or any Financial Services Officer; and (c) with respect to the Owner, a certificate executed on behalf of the Owner by the duly authorized President or any Vice President, Treasurer or Secretary or Contract Administrator (whether or not any such title is preceded by any modifier such as Assistant), signing alone.

"Operative Documents" means the Participation Agreement, the Indenture, the Lease, the Contract for Financial Assistance, the Lessee's Assignment, the Consent and Agreement of Lessee the Tax Indemnity Agreement, the Purchase Agreement and the Purchase Agreement Assignment.

"Original Noteholder" means New England Merchants Funding Corporation, a Massachusetts corporation.

"Original Participation" of a Participant in the Equipment, means the amount paid by such Participant pursuant to Section 2 of the Participation Agreement as such Participant's participation in the payment of the Lessor's Purchase Price of the Equipment.

"Overall Transaction" means the manufacture, purchase, ownership, financing, leasing, operation, maintenance, storage, return and disposition of the Equipment as described and contemplated by the Operative Documents.

"Overdue Interest Rate" means the rate per annum equal to the sum of one and one-half (1-1/2) percentage points plus the higher of (i) the Base Rate plus 1.5% or (ii) 10.5% per annum.

"Owner" or "Lessor" means Security Pacific Equipment Leasing, Inc., a Delaware corporation, and its successors and permitted assigns.

"Participants" means the Owner and the Noteholders.

"Participation Agreement" means the Participation Agreement, dated as of the Execution Date, among the Lessee, the Owner, the Original Noteholder and the Indenture Trustee, as such Participation Agreement may from time to time be supplemented, amended or modified in accordance with the terms thereof.

"Parts" means all appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment of

whatever nature so long as the same shall be incorporated or installed in or attached to any item of Equipment or so long as title thereto shall remain vested in the Lessor in accordance with Section 5.3 or Article 6 of the Lease after removal from such item of Equipment; provided, that in no event shall any appliance, part, instrument, appurtenance, accessory, furnishing or other equipment that does not become a portion of the Equipment, in accordance with Section 5.3 or Article 6 of the Lease, constitute a Part.

"Permitted Liens" means (a) the Lien of the Indenture, (b) the subordinate rights of others under agreements or arrangements to the extent expressly permitted by the terms of Section 4.2 of the Lease and Sections 4.01 and 7.01 of the Indenture, (c) Lessor Liens, (d) Liens for taxes, assessments, charges or other governmental levies either not yet due or being contested in good faith by appropriate proceedings promptly initiated and diligently prosecuted but only so long as (i) such proceedings do not involve any material danger of the sale, forfeiture or loss of any item of Equipment, or any interest therein, and (ii) adequate reserves are maintained in accordance with applicable accounting principles with respect to such Liens, (e) materialmen's, mechanics', carriers', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business for amounts the payment of which is not overdue for a period in excess of 30 days or is being contested in good faith by appropriate proceedings promptly initiated and diligently prosecuted but only so long as (i) such proceedings do not involve any danger of the sale, forfeiture or loss of any item of Equipment, or any interest therein and (ii) adequate reserves are maintained in accordance with applicable accounting principles with respect to such Liens, and (f) Liens arising out of judgments or awards against the Lessee with respect to which an appeal or proceeding for review is being diligently prosecuted in good faith and with respect to which a stay of execution shall have been secured or an appeal bond shall have been filed pending such appeal or proceeding for review but only so long as (i) such proceedings do not involve any danger of the sale, forfeiture or loss of any item of Equipment, or any interest therein, and (ii) adequate reserves are maintained in accordance with applicable accounting principles with respect to such judgments or awards.

"Person" means an individual, a corporation, a partnership, an unincorporated organization, an association, a joint stock company, a joint venture, a trust, an estate, a government or any agency or political subdivision thereof or any other entity.

"Purchase Agreement" means the Agreement, dated August 7, 1985, between the Manufacturer and the Lessee, as amended,

modified and supplemented on or prior to the Delivery Date, providing, among other things, for the manufacture by the Manufacturer and sale to the Lessee of the Equipment, as such Agreement may thereafter from time to time be amended, modified or supplemented in accordance with the applicable provisions thereof and of the Purchase Agreement Assignment.

"Prime Rate" means the interest rate per annum announced and made effective from time to time by Bank of New England, N.A., at its principal office in Boston, Massachusetts, as the prime rate or, as the case may be, the base, reference or other similar rate then designated by it for general commercial lending reference purposes, it being understood that such rate is a reference rate, not necessarily the lowest, which serves as the basis upon which effective rates of interest are calculated for obligations making reference thereto.

"Purchase Agreement Assignment" means the Purchase Agreement Assignment, dated as of the Delivery Date, between the Lessee and the Lessor (together with the Consent and Agreement of the Manufacturer attached thereto), substantially in the form of Exhibit D to the Participation Agreement, assigning to the Lessor certain of the Lessee's right, title, and interest in, to and under the Purchase Agreement with respect to the Equipment, as such Purchase Agreement Assignment may from time to time be supplemented, amended or modified to the extent permitted by and in accordance with the terms thereof and of the Indenture.

"Reduced Investment" has the meaning specified in Section 8.1 of the Lease.

"Regulations" means the Treasury Regulations, as amended, promulgated under the Code or other Federal tax statutes (as referred to in clause (i) of the definition of "Tax Laws" in this Schedule X) by the Treasury Department of the United States of America.

"Renewal Rent" with respect to the first, three-year Renewal Term provided for in section 2.5 of the Lease, means an amount equal to the lesser of (i) 50% of the average Basic Rent over the Basic Term of the Lease and (ii) the fair market rental value of the Renewal Equipment determined in accordance with the Lease. "Renewal Rent" with respect to the second, seven-year Renewal Term provided for in Section 2.5 of the Lease means the fair market rental value of the Renewal Equipment.

"Renewal Term" means the three-year renewal term provided for in Section 2.5 of the Lease beginning on January 30, 2013, and ending on January 29, 2016 and, if applicable, the

seven-year renewal term provided for in Section 2.5 of the Lease beginning on January 30, 2016 and ending on January 29, 2023.

"Rent" means Interim Rent, Basic Rent, Renewal Rent and Supplemental Rent.

"Rent Payment Date" means January 30, 1988, and each July 30 and January 30 thereafter, to and including the day after the last date included within the Lease Term.

"Series A Notes" means the Series A Notes, each to be in substantially the form therefor set forth in Section 2.01(a) of the Indenture, issued by the Owner pursuant to Section 2.02 of the Indenture to the Original Noteholder in the principal amount, bearing interest at the rates and payable as to principal and interest as provided in said Section 2.02, and secured as provided in the Granting Clause of the Indenture, and shall include any Series A Notes issued in exchange therefor or in replacement thereof pursuant to Sections 2.07 or 2.08 of the Indenture.

"Series B Notes" means the Series B Notes, each to be in substantially the form therefor set forth in Section 2.01(b) of the Indenture, issued by the Owner pursuant to Section 2.13 of the Indenture in the principal amounts, bearing interest at the rates and payable as to principal and interest as provided in said Section 2.13, and secured as provided in the Granting Clause of the Indenture, and shall include any Series B Notes issued in exchange therefor or in replacement thereof pursuant to Sections 2.07 or 2.08 of the Indenture.

"Special Event of Default" has the meaning set forth in Section 4.02 of the Indenture.

"Stipulated Loss Value" as of any Stipulated Loss Value Date during the Basic Term, means, with respect to any item of Equipment, an amount determined by multiplying Lessor's Purchase Price thereof by the percentage specified in Exhibit B to the Lease opposite the Stipulated Loss Value Date with respect to which the amount is determined, subject to adjustment as provided in Sections 8.1 and 8.5 of the Lease. As of any Stipulated Loss Value Date during the first, three-year Renewal Term the Stipulated Loss Value shall be an amount equal to the greater of (i) the then fair market sales value of the Equipment or (ii) 20% of the Lessor's Purchase Price thereof. The Stipulated Loss Value at July 30, 2016 shall be equal to the then fair market sales value of the Equipment, and as of each subsequent Stipulated Loss Value Date during the second, seven-year Renewal Term shall be equal to an amount determined (1) by estimating at January 30, 2016 the

fair market sales value of the Equipment at January 30, 2023 and (2) equitably and ratably reducing at each such Stipulated Loss Value Date the amount of the fair market sales value at July 30, 2016 to such fair market sales value at January 30, 2023. Anything contained in the Lease (including Exhibit B thereto) to the contrary notwithstanding, the Stipulated Loss Value for the Equipment as of each such date shall in no event be less than an amount at least sufficient to pay in full the aggregate unpaid principal amount of all outstanding Notes, together with the accrued and unpaid interest thereon as of such date.

"Stipulated Loss Value Date" means (i) for the Basic Term each date set forth on Exhibit B to the Lease, (ii) for the first Renewal Term, July 30, 2013 and each January 30 and July 30 thereafter to and including January 30, 2016, and (iii) for the second Renewal Term, July 30, 2016 and each January 30 and July 30 thereafter to and including January 30, 2023.

"Substitute Equipment" has the meaning set forth in Section 10.2 of the Lease.

"Supplemental Rent" means any and all amounts, liabilities and obligations (other than Interim Rent, Basic Rent and Renewal Rent) which the Lessee assumes or agrees to pay to or as directed by the Lessor under any of the Operative Documents, including, without limitation, Stipulated Loss Value and interest (including any payments at the Overdue Interest Rate) and indemnity payments, including, without limitation, any such payments pursuant to Sections 8.2 or 8.3 of the Participation Agreement and the Tax Indemnity Agreement.

"Tax" means any and all fees (including, without limitation, documentation, license, recording, filing and registration fees), taxes (including, without limitation, income, franchise, gross receipts, value added, turnover, sales, use, property (tangible and intangible) and stamp taxes), levies, assessments, imposts, duties, charges or withholdings of any nature whatsoever, as now or hereafter existing, imposed by any jurisdiction or taxing authority including, without limitation, the United States of America, and the Commonwealth, and any political subdivision or taxing authority thereof at any time existing, together with any and all penalties, fines, additions to tax and interest thereon.

"Tax Assumptions" means those tax assumptions set forth in Section 2 of the Tax Indemnity Agreement.

"Tax Benefits" has the meaning specified in Section 1 of the Tax Indemnity Agreement.

"Tax Indemnity Agreement" means the Tax Indemnity Agreement, dated as of the Execution Date, between the Lessee and the Owner, as such Tax Indemnity Agreement may from time to time be supplemented, amended or modified in accordance with the terms thereof.

"Tax Laws" means, with reference to any date or any period, (i) all Federal tax statutes, including, without limitation, (A) the Code, and (B) all other Federal tax statutes, such as but not limited to Revenue Acts and also including any Federal tax provisions included in any Public Law or other Federal statute, that are in force and effect with respect to such date or period; and (ii) all rules and regulations, including, without limitation, Treasury Regulations and Temporary Regulations, whether legislative regulations, statutorily authorized implementing regulations, interpretive rules and regulations, and procedural rules and regulations, that are at any time promulgated and in force and effect with respect to such date or period under a Federal tax statute that is in force and effect and applicable to such date or period, and includes, without limitation, revenue rulings or similar authority that may be cited as precedent.

"Term" means the term, including the Renewal Term, if any, for which any item of Equipment is leased under the Lease.

"Transaction Costs" means all of the reasonable costs and expenses incurred by the Indenture Trustee, the Owner or any of the other Participants in connection with the negotiation, preparation, printing, execution and delivery of the Operative Documents and the Notes and in connection with the transactions contemplated thereby, all of which shall be evidenced by appropriate bills or invoices, including, without limitation:

(i) the reasonable fees, expenses and disbursements of (A) Messrs. Ropes & Gray, special counsel for the Owner, (B) Messrs. Csaplár & Bok, special counsel for the Original Noteholders, and (C) Messrs. Richards, Layton & Finger, special counsel for the Indenture Trustee;

(ii) the initial fees and expenses and disbursements of the Indenture Trustee;

(iii) document production costs in connection with the Operative Documents;

(iv) the costs of the appraisal referred to in Section 5(n) of the Participation Agreement;

(v) the fees, expenses and disbursements of an appraiser/consultant engaged by the Owner to review the Operative Documents; and

(vi) The fees of Xitech Inc., a Delaware corporation.

"Transfer" means the transfer of all right, title and interest of the Lessor in the property being transferred, free and clear of the Lien of the Indenture (if the Indenture Trustee shall be required to release the Lien of the Indenture pursuant to the terms thereof) and of any Lessor Liens, but otherwise without recourse, representation or warranty whatsoever, express or implied, except as to the nonexistence of any Lessor Liens, which warranty shall be repeated at the time of such transfer and shall survive such transfer.

"Trust Indenture Supplement" means a supplement to the Indenture, in substantially the form of Exhibit A to the Indenture, that, pursuant to the Granting Clause of the Indenture, shall create a first mortgage and security interest on the items of Equipment referred to therein and assign and pledge the related Lease Supplement executed and delivered pursuant to the Lease to the Indenture Trustee as part of the Indenture Estate.

"Warranty Bill of Sale" means the Warranty Bill of Sale, dated as of the Delivery Date, from the Lessee to the Owner substantially in the form of Exhibit L to the Participation Agreement.

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